Austria ... Sch. 18	Indonesia ... Rp 2500	Portugal ... Esc 90
Bahrain ... Din 0.650	Italy ... L 1300	S. Arabia ... Rls 6.00
Belgium ... BFr 42	Japan ... Y650	Singapore ... S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain ... Pta 110
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark ... DKr 7.25	Lebanon ... £L 6.00	Sweden ... Skr 6.50
Egypt ... E£1.00	Luxembourg ... LFr 42	Switzerland ... SFr 2.20
Finland ... Fmk 6.00	Malaysia ... Rm 4.25	Taiwan ... NT $65
France ... FFr 6.00	Mexico ... Pes 300	Tunisia ... Din 0.600
Germany ... DM 2.20	Morocco ... Dh 6.00	Turkey ... L 216
Greece ... Dr 70	Netherlands ... Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong ... HK$ 12	Norway ... Nkr 6.00	U.S.A. ... $1.00
India ... Rup 15	Philippines ... Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,671 — Wednesday July 10 1985 — D 8523 B

Zimbabwe polls: Mugabe goes on the offensive, Page 11

World news | Business summary

Suicide bombs hit Israeli frontier

A number of people were reported killed after two suicide bombers blew up their vehicles on the border of the Israeli security zone in southern Lebanon.

Israeli officials are concerned that this may signal a renewed attack on the security zone, which has been relatively quiet in the past few weeks.

At the same time, Lebanese Moslem leaders in Damascus decided to take steps to tighten security in Beirut airport and Palestinian refugee camps with the aid of Syrian observers. Page 3

Stockman resigns

White House budget director David Stockman, 38, is resigning his post on August 1, the budget office said.

Tanker hit

An Exocet missile, believed fired by Iraqi aircraft, hit the Turkish supertanker M Vatan in the Gulf. Lloyd's of London believed that it might be the largest marine casualty ever. Page 3

Trouble in Assam

A wave of shooting, kidnapping and arson has hit the border area between north-eastern Indian states Assam and Nagaland.

Israeli strikes

Disruption followed selective strike action by Israel's unions protesting against the new economic austerity programme. Page 3

Unitary tax

The U.S. Treasury has issued a draft of proposed legislation designed to nudge the states into repealing their worldwide unitary taxation statutes. Page 4

Banker kidnapped

Italian banker Giandomenico Amaduri has been kidnapped from a holiday villa in the resort town of Bovalino.

Seven blacks dead

Seven blacks were killed by South African police after riots broke out in KwaThema, east of Johannesburg. A policeman's house was petrol-bombed. Page 3

Franco-Spanish pact

France and Spain have signed a political agreement paving the way for annual summit meetings and designed to improve their joint action against terrorism. Page 2

Rock for relief

Political, religious and sports figures will join rock stars on Saturday night in n satellite broadcast from Philadelphia, London and Sydney, to raise funds for African famine relief.

Mont Blanc deaths

Four mountaineers died while climbing the 3,500m Triolet peak in the Mont Blanc range in France.

Sri Lankan unrest

Schools and shops in Jaffna closed after thousands of people took to the streets to protest at peace talks between Tamil separatists and the Sri Lankan Government.

Sino-Soviet talks

Chinese Vice-Premier Yao Yilin has arrived in Moscow for an eight-day visit, marking a new step in improved relations between the rival communist superpowers.

Briefly ...

French film director Jean-Paul Le Chanois has died, aged 75.

President Reagan has nominated Joe Rodgers as U.S. ambassador to France. Page 4

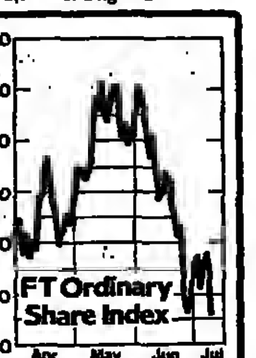
Grand Duchess Charlotte of Luxembourg has died, aged 89.

Earnings at CBS decline by 12%

CBS, U.S. broadcasting group which is resisting hostile takeover bid from Ted Turner, reported 12 per cent decline in second-quarter income from continuing operations despite better results from its broadcast group. Page 13

W. H. SMITH, British newsagent and bookseller, is to become Canada's largest book retailer through the purchase of Classic Bookshops (International) for C$9.4m ($7m).

WALL STREET: At 3pm the Dow Jones industrial average was down 6.05 at 1,322.36. Page 34



TOKYO shares turned lower after a strong morning session. The Nikkei-Dow market average closed 8.64 down at 13,021.01. Page 34

LONDON equities came under strong selling pressure. The FT Ordinary share index fell 19.2 to 932.0. Gilts advanced under support from domestic and international investors. Page 34

STERLING was strong in London, closing at $1.3655, a rise of 2.05 cents on the day. It also rose to DM 4.04 (DM 4.005), SwFr 3.3725 (SwFr 3.355), FFr 12.285 (FFr 12.23) and Y338.0 (Y330.5). The pound's exchange rate index rose to 83.2 from 82.3. Page 27

DOLLAR lost ground in London, closing at DM 2.96 (DM 2.98), SwFr 2.4765 (SwFr 2.4985), FFr 9.005 (FFr 9.0775) and Y244.2 (Y246.0). On Bank of England figures the dollar's exchange rate index fell from 142.7 to 141.2. Page 27

GOLD: In New York the Comex August settlement was $314.50. Gold rose $0.25 on the London bullion market to $315.50. It was also higher in Zurich at $315.00. Page 26

EAST GERMANY had economic growth of 4.1 per cent in the first half of this year, the highest rate reported among Comecon countries. Page 2

NEW ZEALAND'S inflation rate rose 5.1 per cent in the three months to June, the biggest quarterly rise for nearly 40 years. Inflation is running et 16.6 per cent for the year to June 30.

INTERNATIONAL PAPER, world's largest paper maker, suffered sharp setback in the second quarter with net earnings falling by 47 per cent to $35.2m from $67m in same period of 1984. Six-month total declined from $122.3m to $72.3m. Page 13

G. J. COLES, Australian retailer, launched A$970m ($658m) takeover offer for stores group Myer Emporium which would give the combined operation 20 per cent of country's total retail sales. Page 16

WACHOVIA and **NCNB**, North Carolina banks in vanguard of U.S. regional banking mergers, reported sharply higher second-quarter earnings fuelled by higher net interest income. Page 13

LAURA ASHLEY, British-based textiles and clothes group, is to seek n full listing on the London Stock Exchange. Page 13; Feature, Page 8

VEUVE CLIQUOT, French champagne group, launched a FFr 242m ($26.7m) rights issue to buttress existing activities and finance possible diversification. Page 13

FLICK, West German industrial group, forecast substantial profits for 1985 and revealed that operating earnings more than doubled to DM 206m ($69m) in 1984. Page 13

Sharp rise in UK money supply sends £ surging

BY PHILIP STEPHENS IN LONDON

STERLING surged against other leading currencies yesterday as news of another sharp jump in the money supply was interpreted on financial markets as signalling that British interest rates are set to remain high.

The Bank of England announced that sterling M3, the most closely watched measure of the money supply, rose by about 2 per cent in the five weeks to mid-June.

The increase, which was higher than most London analysts' expectations, took the measure's growth rate since June 1984 to 12 per cent, well above its official 5 per cent target range. Over the three months to June its annual growth rate was 23.5 per cent.

The reaction on the foreign exchange markets was a rush of funds into sterling as investors moving out of a generally weakening dollar took advantage of high UK interest rates.

The pound's overall value, as measured by the sterling index, rose to its highest level since February 1984, while against the D-Mark it was at its best for nearly two years.

Paradoxically, there were suggestions last night in London that if sterling continued to appreciate in coming weeks then there might be scope for a small cut – perhaps ½ n percentage point – in the current 12½ per cent level of banks' base lending rates.

The Conservative Government, however, made it clear that there will be no substantial reduction in the level of borrowing costs until it is convinced that inflation is firmly under control.

Speaking in the House of Commons, Mrs Margaret Thatcher, the Prime Minister, said that the present inflation rate of 7 per cent required a "very firm hand."

That view was echoed by Mr Nigel Lawson, the Chancellor of the Exchequer, who met leaders of the Confederation of British Industry. Sir James Cleminson, the CBI's president and Sir Terence Beckett, its director-general, saw the Chancellor to press their demand for a 2 percentage point cut in base rates.

The industrialists argued for the third time in as many weeks that the high level of British interest rates – and the parallel surge in the exchange rate – were putting an impossible burden on British companies.

Mr Lawson, however, is understood to have replied that although the Government was anxious not to keep interest high for longer than is necessary, it was not prepared to take risks with inflation.

The surge in sterling M3 added to the confusion which has surrounded the Government's monetary policy in recent months.

The Bank of England said that the June figure may have been distorted by the £4bn ($5.4bn) of cheques returned to unsuccessful applicants for last months Abbey Life share issue. These cheques were in the process of being returned on the last day of the banking month and could have affected the £1.4bn bank lending figure recorded during the month.

The Bank, however, was unable to give any estimate of the extent of the possible distortion.

The strong growth in sterling M3 in recent months – apparently signalling a fairly loose monetary stance – has contrasted with the sharp rise in the pound's value, generally an indicator that the money supply is under firm control.

Mo, the narrow monetary aggregate, is also well within its official 3 per cent to 7 per cent target range.

Background, Page 6; Editorial comment; Page 10; Lex, Page 12; Money markets, Page 27

Japan to ease curbs on refined Gulf products

BY PAUL BETTS IN PARIS

JAPAN under heavy pressure from the EEC and the U.S., last night agreed to ease restrictions on imports of refined oil products coming principally from new Gulf producers.

Although the agreement remains vague, with no commitment on quantities or timing, EEC and U.S. ministers and delegations claimed they had won a significant concession from Japan at a one-day ministerial meeting of the International Energy Agency (IEA).

The final communique stated that the ministers from the agency's 21 oil consuming countries, including Japan, "agreed to pursue expeditiously a common approach whereby they would maintain or create conditions such that imported refined products could go to the markets of the different IEA countries and regions on the basis of supply and demand as determined by market forces without distortions."

Mr John Herrington, the U.S. Energy Secretary, said this represented "a major advancement" in the promotion of an open-market approach to energy. He added that there was "no alternative to such an approach if we are to avoid a rising tide of protectionism."

Ministers also agreed that the IEA should monitor closely developments in oil product imports from emerging Opec producers. This is designed to ensure that the additional petroleum products coming from the new Gulf producers will flow to consuming countries without trade distortion and that the burden is shared fairly between all the consuming countries.

EEC countries have been especially worried about the impact of new refined oil products from the Gulf at a time when European countries have undergone a major re-organisation of their refining industry, with refinery closures, rationalisation and modernisation programmes.

Mr Alick Buchanan-Smith, the UK Minister of State for Energy, said that it was "imperative" that the burden of the new competition from the Gulf was shared fairly by all members of the IEA. The new Gulf producers are expected to add about 50m tonnes e year of additional refined oil products on the market by 1990.

Continued on Page 12

Montedison swoop on BI-Invest attacked by top industrialists

BY ALAN FRIEDMAN IN MILAN

LEADERS of Italy's industrial and financial establishment – including Sig Gianni Agnelli, Fiat chairman, and Sig Leopoldo Pirelli of the tyre and cables group which bears his name – yesterday publicly criticised Montedison, the heavily indebted chemicals group, for having taken control of the BI-Invest industrial and financial company.

Montedison paid more than L200bn ($104m) to buy the 37 per cent stake in BI-Invest which was built up by stock market raiders on the Milan bourse. In doing so, Montedison's chairman, Sig Mario Schimberni, himself a leading member of the Italian corporate establishment, appears to have caused ripples which are disturbing the delicate balance of power among northern Italy's ruling financial elite.

The criticism came yesterday in the form of a statement from Gemina, n shell company which owns 17.1 per cent of Montedison and also controls the Rizzoli publishing group, which owns the Corriere della Sera newspaper. Gemina is 26.9 per cent-owned by the Agnelli family, 17.6 per cent by Mediobanca, the powerful merchant bank, and 3.28 per cent by Pirelli.

BI-Invest itself has e 17.4 per cent stake in Gemina, but control of BI-Invest has passed from the Bonomi family (with 30 per cent) to Montedison. Montedison is expected to sell the Gemina stake held by BI-Invest, or it will end up holding control of a company which holds n stake in itself.

Sig Franco Mattei, a former president of Italy's Confindustria employers' association and the chairman of Gemina, said yesterday that no Gemina shareholder had been informed of the Montedison operation and that if Gemina had known about it "the opinion would have been negative."

The Gemina chairman added that Sig Schimberni "evidently believes the operation was urgently required."

Yesterday's unusual meeting of the leaders of Italian industry, including Sig Luigi Lucchini, the present Confindustria president who holds a personal stake in Gemina, confirmed that the so-called attack by Montedison on BI-Invest is disturbing the political and financial equilibrium in northern Italy. The consensus view is that a face-saving way must now be found of "making the peace" inside the establishment. This will mean first finding a reliable buyer for the BI-Invest stake in Gemina which is now controlled by Montedison and then deciding how to treat Sig Carlo Bonomi, the BI-Invest chairman who has been isolated by the Montedison coup.

BI-Invest is one of Italy's most important private sector conglomeretes and has important holdings in insurance, property, wine growing, mail-order catalogue trade, pulp and paper, textiles and leasing.

Montedison is the Milan-based chemicals, health care and energy giant which is just emerging from years of heavy losses and still has a total indebtedness of more than $2bn – three times share capital. Montedison is predicting n 1985 profit, after combined losses of more than $650m in the past three years.

Zimbabwe candidate killed in post-poll violence

By Michael Holman in Harare

MR JOSHUA NKOMO, leader of Zimbabwe's opposition Zapu party, said last night that at least one of his party's parliamentary candidates in last week's elections had been killed and one critically injured as unrest in Harare's black townships entered its third day.

Mr Nkomo who was speaking from his home in Highfield, one of the city's black townships, said that he also had reports of unrest in the midlands towns of Kwe Kwe and Gweru, "hundreds of people have been left homeless" in Harare, he said.

Unconfirmed reports said that up to six people may have died in the violence in Harare and other centres.

Mr Simbi Mubako, the Minister for Home Affairs, said yesterday, that he had ordered the deployment of more policemen in the troubled areas.

Violence had stopped except for a few "pockets here and there," the Zimbabwe News agency reported the Minister as saying. Another Minister, Mr Maurice Nyagumbo, was due to hold an emergency meeting with officials of Zanu PF's Harare branches last night.

Militant supporters, mainly women, of the ruling Zanu-PF party led by Mr Robert Mugabe, the Prime Minister, continued their eviction campaign which began on Sunday, ignoring Government appeals to end the violence and tolerate the presence of opposition party supporters in the capital's black suburbs.

Mr Simon Chaurura who stood as the Zapu candidate in Harare's Dzivaresekwa constituency in last week's general election, was axed to death at his home on Monday night, said Mr Nkomo, while Mr Kenneth Mano, another parliamentary candidate, was critically ill in a city hospital after being assaulted. A third Zapu official had died in Mufakose township outside Harare.

Bands of 200 to 300 women supporters of Mr Mugabe's party have been evicting opponents from their houses in the suburbs of Chitungwiza, Mufakose and Highfield, dumping the contents of the homes on the pavement and, in some cases, setting fire to them.

Government officials are said to have toured Chitungwiza in an effort to cool the tempers of their supporters. But neither police nor army are in evidence in any of the townships; there seems little or no determined government attempt to reinforce the warnings.

Mugabe goes on the offensive, Page 11

Klöckner and Krupp call off steel merger

BY RUPERT CORNWELL IN BONN

KRUPP STAHL and Klöckner-Werke, two of West Germany's biggest steel producers, yesterday called off plans for a merger of their steel interests which was to have taken effect on July 1.

Hoesch, the West German steel concern, agreed to sell its holding in bulk materials handling group PHB-Weserhütte to Otto Wolff, the engineering company, ending an 18-month struggle for control. Page 13

The scheme, first announced last October, also involved the Australian mining company CRA. But it had been bogged down by increasing problems, centring on the DM 700m ($235m) of state aid claimed necessary for the merger to get off the ground and the envisaged closure of a major works of Klöckner, crucial for the deal to go ahead.

A joint statement by the two German companies blamed "factors beyond their control" for the decision. Klöckner and Krupp declared they no longer had any hope of gaining the "all round support" required for the merger to proceed on schedule.

The formal collapse of the merger plan came only five days after it was disclosed that two of the EEC's other major steel makers, Arbed of Luxembourg and Sacilor of France, were close to an agreement on the joint rationalisation of steel production.

The EEC in Brussels has already stipulated that no more Government subsidies for the steel industry will be permitted after the end of 1985. Under the circumstances, the two German companies said they could no longer delay their own separate rationalisation measures, which had been in abeyance while the merger was still under discussion.

The plant would have created West Germany's second largest steel maker after Thyssen, with assets of DM 1.5bn, and sales of DM 10bn e year. CRA and Krupp were each to have a 35 per cent stake in the new venture, called Stahlwerke Krupp-Klöckner, with the remaining 30 per cent in the hands of Klöckner.

But since the start of this year, the difficulties surrounding the project have grown steadily more evident and have been frequently referred to by executives of both German companies.

The decisive factor appears to have been the unyielding opposition of the Christian Democrat gov-

Continued on Page 12

World Bank warns China on economy

BY ALAIN CASS, ASIA EDITOR, IN LONDON

CHINESE economic policies have been given a broad stamp of approval by the World Bank in its latest and most comprehensive study of the country's ecoaomy.

The report warns, however, that economic reforms must go considerably further if China is to achieve its long-term economic targets.

The confidential document, delivered to the Chinese Government at the end of May, will come as a welcome boost to China's reform-minded leadership, which is currently under attack from conventional Marxists for loosening too many controls on the economy and provoking unwelcome price increases and widespread corruption.

The report says that China can meet its target of quadrupling industrial and agricultural production by the year 2000 if it continues to hold down its population growth and keeps up its impressive rate of investment.

But the introduction of market-orientated reforms, especially in the country's top-heavy industrial sector, will have to go a good deal further if this is to happen.

The report calls for a major assault on the efficiency of enterprises. It suggests the creation of boards of directors composed of workers and management, independent of the Government, to run factories and businesses.

The World Bank also wants the leadership to speed up its decontrol of prices. It calls for the raising of prices of energy, food, transport and housing.

Contrary to the advice of the International Monetary Fund and bankers who proposed last year that China should run down its foreign reserves by spending on foreign imports, the World Bank report supports Peking in its cautious approach and advises the Government not to get into debt.

Details, Page 3

CONTENTS

France and Spain to hold annual summit in bid to boost ties

BY DAVID MARSH IN PARIS

FRANCE AND Spain yesterday signed an important political agreement paving the way for annual summit meetings and designed to improve their joint action against terrorism.

The declaration signed at the Elysee Palace in the presence of President Francois Mitterrand and King Juan Carlos aims to put France's relations with Madrid on the same level as its links with the other main EEC members. It proposes a number of efforts to improve economic, defence and cultural links.

The accord, unveiled on the second day of the king's official visit to France, underlines the patching up of quarrels between Paris and Madrid over agriculture and Basque terrorism which have sporadically soured links in recent years.

M Mitterrand at a dinner given for the king on Monday night hailed "renewed friendship" with Spain. King Juan Carlos said his visit, together with Spain's accession to the EEC marked a "new era" in ties.

The annual meetings between the French President and the Spanish Prime Minister—to be held alternately in France and Spain—will be at the same rhythm as the summits held by France with Britain and Italy. With West Germany, France holds summits twice a year to mark the special nature of links with Bonn.

One of the most sensitive parts of the document signed by the two countries promises intensification of existing joint efforts to combat terrorism, drug trafficking and "other aspects of international crime."

Spain has been particularly kean to win full French collaboration in the fight against Eta, the Basque separatist movement. Following several years of criticism from Madrid over French "tolerance" of Basque safe havens on the northern side of the Pyrenees, Paris since last year has started to take a firmer line over the presence of extremists in France.

The two countries will also set up a working party on strategic questions linking top officials from their foreign and defence ministries. Joint arms production accords are to be stepped up and the two defence ministers are to meet once a year.

France and Spain will also improve economic, social and cultural co-operation, with special attention being given to efforts to improve teaching of the two languages in schools.

King Juan Carlos, who had an hour long meeting with M Mitterrand on Monday evening, expressed Spanish interest in the European Eureka high technology programme, the Elysee Palace spokesman said.

East German national income rises by 4.1%

BY LESLIE COLITT IN BERLIN

EAST GERMANY's economy grew by 4.1 per cent at an annual rate in the first half of the year, the highest rate reported among Comecon countries.

The increase in national income—roughly equivalent to gross national product—was just short of the target, largely because of the extremely cold winter which wreaked havoc in most other East European

Industrial production rose at an annual rate of 4.4 per cent in the same period against a target of 3.8 per cent and labour productivity growth exceeded the target of 7.1 per cent by 0.2 per cent.

Exports to the Soviet Union were "over fulfilled" while trade with Western countries developed "according to the plan." Last year East Germany had a hard currency trade surplus of nearly £1bn.

Retail trade turnover, one indication of the standard of living, rose 4 per cent in line with the plan. However this figure included price rises which the government refuses to acknowledge.

The encouraging East German statistics came as East Germany's foreign trade bank signed a $600m (£451m) Eurocredit loan yesterday in London. The eight year loan, bearing a margin ¼ per cent over London Eurodollar rates was led by American, Arab and Japanese banks and was tripled because of heavy over-subscription. East Germany has become Comecon's leading borrower, taking nearly $2.5bn in the past year.

Western bankers said the loans are being used to replace badly bunched short term maturities.

Pretoria bar on apartheid protestors angers Dublin

BY OUR DUBLIN CORRESPONDENT

A DIPLOMATIC row has broken out between Ireland and South Africa because the latter refused to admit a number of Irish shopworkers who have been protesting over their employer's policy on South African goods.

Eleven Dublin - based employees of the Dunnes Stores group have been on strike for a year because the company insisted on their handling South African goods against the express policy of their union.

The dispute has attracted considerable public interest in Ireland and has focused attention on the attitudes of supermarkets towards South African produce.

Six of the workers and some officials of their union travelled to Johannesburg on Monday at the invitation of Nobel Prize-winner Bishop Desmond Tutu who has repeatedly supported their action.

A reciprocal arrangement ... Irish citizens travelling to South Africa do not require visas. However, the authorities said that exemption had been withdrawn in the case of some of the Dunnes Stores group.

When they arrived in Johannesburg emigration officials said the original purpose of the visit to report on apartheid at first-hand had now been altered by additions to the official party. The Deputy Minister for Home Affairs said that the group now sought only to embarrass South Africa and they would be put on the first flight home.

The South African decision has angered Dublin and one minister said the reciprocal arrangement on visas could be changed. Mr Jim O'Keefe, the deputy Minister for Foreign Affairs, said the Government would seek a full explanation for the "arbitrary and unilateral" exclusion of the Dunnes Stores group.

South African violence, Page 3

Spanish companies want help to compete

By Tom Burns in Madrid

SPAIN'S EMPLOYERS' confederation yesterday called on the Government for urgent measures ranging from the reform of labour legislation to an overhaul of social security financing in order to offset the effect of entry to the European Community on Spanish business.

Sr Jose Maria Cuevas, chairman of the Confederacion Espanola de Organizaciones Empresariales (CEOE), said that unless business was able to "play by the same European rules of the game" much of Spanish industry would be crippled by European competition.

He released a report on the impact of entry which had been prepared by the CEOE at the request of Prime Minister Felipe Gonzalez. He said he had asked for an urgent meeting with the Prime Minister to discuss its recommendations.

The thrust of the CEOE paper is that Spanish business is hamstrung by rigid labour legislation, by a heavy social security burden and by a fiscal system that puts insufficient premium on capital investment.

The report recommends that Spain's hiring and firing rules should be rapidly adapted to conform with European legislation and that the "abnormally high" social security contributions that Spanish business is subjected to should be radically reduced.

Other recommendations focus on fiscal and budgetary measures to increase funds for Spanish companies. The paper quotes statistics from the central bank, the Banco de Espana, which revealed that the self-financing capacity of Spanish companies stood at 28 per cent against 40 per cent in the case of French companies and 60 per cent in West German ones.

Sr Cuevas said that Spain's employers had urged successive governments to take action that would help Spanish business meet European competition and that "time had now nearly run out."

The overwhelming fear of Spanish employers concerns the double effect of the imposition of value added tax on January 1 and the simultaneous reduction of Spain's protective tariffs. It is estimated that the two measures will effectively reduce by half the current protection against European competition that is enjoyed by Spain's domestic industries.

Britain, U.S. fail to sign pollution pact

By Olli Virtanen in Helsinki

MORE THAN 20 European countries and Canada yesterday agreed to reduce sulphur emissions by 30 per cent between 1980 and 1993. The U.S., Britain and Poland refused to sign the protocol at the conference here on Long-Range Trans-Boundary Air Pollution organised by the UN Economic Commission for Europe.

The 30 per cent target was agreed after tough negotiations preceding the meeting. The Nordic countries, as well as West Germany and France were prepared to set the target at 50-60 per cent.

Mr William Waldegrave, the British Environment Minister, argued that the UK had already reduced sulphur emissions by 40 per cent between 1970 and 1983. Mr Richard Benedick, head of the U.S. delegation, estimated that U.S. industry had lowered emissions by 26 per cent between 1975 and 1983.

European unity a vital goal, Italy warns UK

BY JAMES BUXTON IN ROME

BRITAIN MUST bring itself back into the mainstream of the European Community in the wake of the Milan summit, and Mrs Margaret Thatcher, the British Prime Minister, must realise that what she regards as European unity "rhetoric" is serious and in the ascendancy. If not, Britain's opposition will only have the effect of strengthening the unity of the six countries which founded the Community.

This is the view of the Italian Government, which presided over the recent Milan summit where it was agreed by a majority vote to hold a conference of member governments to agree on a revision of the Treaty of Rome on which the Community is based.

The Italian view, which was put to the Financial Times by Sig Renato Ruggiero, the secretary general of the Foreign Ministry, is that it is impossible to achieve the unrestricted internal market that Britain and other countries want to see without creating the strengthened political institutions to guide it.

Sig Amintore Fanfani (left) the 77-year-old veteran of Italian politics who has served five times as Prime Minister, was last night elected president of the Italian Senate, the second most senior post in the country after the President of the Republic, writes James Buxton.

He succeeds Sig Francesco Cossiga, who was elected President of the Republic last week. It is the fifth time that he has presided over the upper house of parliament.

Sig Fanfani, who, like Sig Cossiga, is a Christian Democrat, was elected with the support not only of the five parties of the ruling coalition, but also that of the opposition Communist Party and of the neo-Fascist Italian Social Movement.

The near unanimity is another sign of the present stability in Italian politics, exemplified by the continuation in power for almost two years of the Government of Sig Bettino Craxi and the election of President Cossiga on the first ballot with a 77 per cent majority.

This means instituting majority voting in the Council of Ministers and giving the European Parliament more power than the role of just an "advisory board" which it now has. The U.S., the Foreign Ministry points out, would never have achieved its free internal market with only a "Commission" in Washington.

The Italian Government stresses two points. One is that Mrs Thatcher herself, not to mention her predecessors as Prime Minister, were party to documents which set out the goal of European unity. Most notable of these was the communique of the Stuttgart summit of 1983 which called for majority voting in the European Council and the achievement of unanimity by abstention on the part of those countries in the minority — points which the British Government included in proposals which it unsuccessfully put to the Milan summit. In the Italian view the British commitment to European unity is a fact, not a matter of "rhetoric."

Secondly, the "rhetoric," as Mrs Thatcher would call it, won at Milan. The six founder members of the EEC, plus Ireland, voted for a conference to revise the Treaty of Rome at which Britain will have to be present.

The Italians see it as "rhetoric" on Mrs Thatcher's part to believe that the Community can move towards an internal market without a European currency, a European "government" or "administration" and a genuine European Parliament.

Britain failed at the summit because it underestimated the harm done to its position by its long fight over its budget contributions, however justified that was, and because it believed it had won its case before the summit began.

Now, Italy believes, Britain must again play a fundamental role in the creation of the new shape for the Community without expecting to get its way on everything. If Britain does not willingly participate, it will unwittingly act as a catalyst for the six founder countries staying closer together.

Luxembourg revives British plan for faster decisions

BY IVO DAWNAY IN BRUSSELS

LUXEMBOURG's Prime Minister, M Jacques Santer, yesterday confirmed that his six month presidency of the European Council will revive discussion on British plans to improve and speed up EEC decision-making. But he went on to underline that the wishes of a majority of EEC member states to seek closer integration through an intergovernmental conference were equally "legitimate."

Addressing the European Parliament, M Santer made clear that Luxembourg is determined to press for amendments to the Treaty of Rome aimed at enhancing European union. But his positive confirmation that the UK's proposals will return to the agenda when foreign ministers meet later this month may have a mixed reception.

These plans, involving greater use of majority voting and voluntary restrictions on the veto, were felt by many to have been abandoned at the Milan summit when the Ten split seven to three in favour of an intergovernmental conference on reforms to the Treaty.

Though several countries believed the British plans were not inconsistent with a conference, Greece prevented further discussion when the Italian presidency forced through the Treaty revision scheme on a vote.

M Santer's optimistic interpretation of the summit's outcome was followed by a more down to earth reading from M Jacques Delors, the Commission president. He repeated his recent claim that four divergent views of the Community's future were in evidence: those of the integrationalists; the free traders; the supporters of a two-speed Europe; and those favouring intergovernmental co-operation independent of existing Community institutions.

For this reason, the Commission had confined its objective at Milan to agreement on the creation of a free internal market by 1992 and a technological community. Yet even these had not received the full sanction of the heads of government.

M Delors also warned that rapid progress towards agreement would be needed when the intergovernmental conference began. "If they don't finish by the end of October, and complete the work by the end of the Luxembourg presidency (in December), then it could take three or four years," he said.

EEC exhaust rules 'will raise car prices'

BY PAUL CHEESERIGHT IN BRUSSELS

THE PRICE of medium-sized cars sold throughout the European Community will increase following the decision of environment ministers to introduce stricter exhaust emission standards, the motor industry warned yesterday.

The standards can be met only by the use of three-way catalytic converters or the development of new technology in the form of the lean-burn engine.

From 1991, cars between 1,400 and 2,000 cc will be permitted to emit 30 grammes per test of carbon monoxide and 8 grammes per test of hydrocarbons and nitrogen oxide together.

"The levels now proposed for mid-range cars, which are much lower than the level which the automobile industry has advised the Commission, may require the obligatory use of higher cost sophisticated systems," said Mr Carl Hahn, president of the Committee of European Car Manufacturers and president of Volkswagen.

Mr William Waldegrave, the junior British environment minister, conceded, after the negotiation of the new standards, that their strictness and speed of introduction ruled out the development of the cheapest form of lean burn technology.

Mr Hahn said that there will be "a significant increase" in the cost of mid-range vehicles and repercussions on fuel consumption which will also raise the price for the consumer.

Austin Rover has already calculated that the standards could add £1,000 to the cost of a new medium-sized car.

The European Environmental Bureau is arguing that the standards are not strict enough. A statement released in Brussels said no agreement is better than a weak agreement. It hoped that Denmark would continue its refusal to adopt the agreement.

Lisbon opens treaty debate

PORTUGAL'S PARLIAMENT began debating the EEC accession treaty yesterday in the absence of a small left-wing party that usually votes with the Communists who have always disputed Portugal's campaign for EEC membership, writes Diana Smith in Lisbon.

The centre-left coalition cabinet of Sr Mario Soares turned out in force in parliament to defend the treaty.

Sr Soares is expected to wind up the debate with a hard-hitting speech

Soviet record on Third World aid defended

By Our Berlin Correspondent

A SOVIET expert on Third World economies told an East European symposium yesterday that Moscow provides more aid to developing countries "than any capitalist country." Western politicians and many Third World nations have sharply criticised the Communist countries for providing little help.

Dr Nikolai Shmelyov said Soviet aid to developing countries represented 1.3 per cent of its gross national product. Western statistics showed the U.S. gave 0.23 per cent in aid in a similar period.

A Czechoslovak economist, Dr Karel Lacina, said his country provided 0.74 per cent of GNP in development aid.

The higher aid figures for the *Comecon countries appeared* to result from the inclusion of Cuba, Vietnam and Mongolia, which are the leading beneficiaries of Comecon's development aid.

East Germany's representative Prof Helmut Faulwetter, criticised representatives of some developing countries in international organisations for claiming that Comecon's foreign trade organisations were essentially the same as multinational companies in the West.

Moscow visit signals better China links

BY OUR FOREIGN STAFF

THE ARRIVAL yesterday in Moscow of Chinese Vice-Premier Yao Yilin, principally to sign a five-year trade agreement with the Soviet Union, marks another step in the long march towards better Sino-Soviet relations.

As a senior minister and politburo member, Yao is the highest ranking Chinese—apart from delegations to the funerals of recent Soviet leaders—to visit Moscow for many years. He is reciprocating the trip last December to China by Mr Ivan Arkhipov, the Soviet First Deputy Premier, who was himself the most senior Soviet visitor to Peking for 15 years.

Two-way trade, likely to rise to around $1.5bn this year, is expected to rise further under the 1986-90 accord agreed during Mr Arkhipov's visit and now to be signed in Moscow.

The focus of Yao's discussions on his eight-day trip will be on improving trade, chiefly, an exchange of Chinese food and raw materials and Soviet technology and technical assistance. The two countries have already agreed that Soviet technicians should help modernise some factories which they set up in China in the 1950s, before the split between Peking and Moscow.

The Soviet Union has also delivered the first of a batch of seven Tu-154M passenger jets due to China this year, Moscow Radio announced this week.

Yao will be one of the first prominent foreigners to meet the reshuffled Kremlin leadership, in particular Mr Edward Shevardnadze, the new Foreign Minister, who as a neophyte to Soviet diplomacy is obviously less identified with past hard-line policy towards Peking than his veteran predecessor, Mr Andrei Gromyko, now President.

The stumbling blocks on the Chinese side to better political relations remain the Soviet military presence in Vietnam and Afghanistan and its troop concentrations on China's northern border. There is little sign of Soviet concessions on these points.

Although Mr Mikhail Gorbachev, the Soviet party leader, came to power four months ago calling for a "serious improvement" in Sino-Soviet relations, his Asian diplomacy has so far been more directed at India and trying to get Asian countries to accept the Hanoi-Moscow formula for a settlement in Kampuchea.

Mr Gorbachev went out of his way to give a warm reception to Le Duan, the Vietnamese Communist Party leader, when he visited last month. More aid was pledged for Hanoi.

The last round of low-level political talks between Chinese and Soviet Deputy Foreign Ministers ended in April with no sign of notable progress on the question of Vietnam's intervention in Kampuchea.

Maurice Samuelson reports on a 20 year forecast

Europe's energy imports set to rise

EUROPE can expect steadily increasing imports of oil, coal and gas over the next 20 years, with higher prices renewing the impetus for energy conservation and the replacement of oil by cheaper fuels.

These are the conclusions of a major study of the energy scene in 11 European countries to the year 2005.

The report, by DRI Europe, a subsidiary of McGraw Hill, believes that these countries will reach the peak of their self-sufficiency in energy next year when they provide 60 per cent of their own needs. By 1995, overall self-sufficiency will have dropped to 55 per cent.

Over the next 20 years, oil imports will rise steadily, coal imports will double and natural gas imports increase by 140 per cent. North Sea oil production will have peaked in 1984 and output of natural gas will peak at 156m tonnes of oil equivalent (mtoe) in 1990.

Predicting that the Opec official price for crude oil will bottom out in two years in 1987 at $26.5 a barrel, DRI also envisages it reaching $30 a barrel in 1990 and $80 in 2000.

Not until 1996 would a weakening in the strength of the U.S. dollar lower the price of oil in Europe.

In the meantime, the return to higher oil prices after 1990 would prompt the European countries to boost their overall energy efficiency by 15 per cent, particularly in the domestic sector where better building insulation and more efficient heating systems would cut specific energy use by 29 per cent by 2005.

The oil market would also be affected by structural changes in demand, with growing demand from inland transport, marine bunkers and chemical feedstocks, while less oil would be used for domestic heating or in power stations.

As a result of the changing structure of demand for oil, the refining industry would have to continue its rationalisation programme.

In it analysis of other fuels' prospects, the report sees natural gas, the most obvious substitute for oil in the short run, losing ground to coal and electricity after 1995. After 1990, gas would gain at the expense of fuel oil but lose out to coal and electricity.

> Over the next 20 years, oil imports will rise steadily, coal imports will double and natural gas imports increase by 140 per cent. North Sea oil production will have peaked in 1984 and output of natural gas will peak at 156m tonnes of oil equivalent in 1990.

Electricity demand, on the other hand, will grow at least as fast as GDP over the entire forecast period, with its share of end-use demand rising from 17 per cent in 1984 to 22 per cent by the end of the century as electricity continues to penetrate both the domestic and industrial markets.

Coal is expected to gain in the industrial and power generating sector. Industrial use would rise by 15m toe between 1984 and 1995 and by 6m toe in the following decade. In the 1980s, coal would be helped by reviving output of iron and steel and financial incentives to instal coal-burning boilers.

Power stations' coal burn is expected to stay at around 155m toe during the late 1980s, rising to 190m toe by the end of the century and 210m toe by 2005.

In its study of individual countries, DRI foresees the French nuclear industry supplying nearly 46 per cent of the country's primary energy requirements by 2005, compared with 17 per cent in 1983 and anticipated 35 per cent in 1990. The increase would be largely due to the rising share of nuclear plant in the power station sector and France's rapid and sustained growth in electricity use.

In West Germany, where a key aim of energy policy has been to cut dependency on oil, DRI predicts that oil's share of total primary energy will fall only from 48 per cent in 1984 to 43 per cent in 2000, while the absolute level of oil demand will actually increase.

Natural gas consumption, on the other hand, would steadily increase from 40mtoe in 1984 to 50mtoe by 1995, implying either that more expensive Norwegian gas would be needed or that the Soviet gas content would be allowed to rise above the sensitive 30 per cent level.

By 1995, roughly 33 per cent of German power would be nuclear based, implying a need for more coal-burning plant and greater coal imports.

The report is highly critical of what it sees as the UK Government's policy of having no energy policy. This "patchwork approach," it says, "has left an unnecessary element of uncertainty behind future planning decisions."

This "absence of a coherent policy was largely responsible for the Government allowing British Gas to negotiate for some three years with Norway over the proposed Sleipner gas import, only to cancel the deal at the 11th hour when, in reality, little had changed.

"Similarly it should not have been necessary to resort to a three-year enquiry to establish the merits or otherwise of the proposed Sizewell B 1100mw PWR power station."

Turning to the UK coal industry, the report says power station consumption will drop from its pre-strike level of 85m tonnes a year to 78m tonnes in 1995. Domestic demand will fall by about 1.5m tonnes over the same period while industrial demand will increase by 3-4m tonnes. Overall demand will be consolidated at 110m tonnes a year, slightly below levels of the early 1980s and some 15m tonnes a year less than the total UK pre-strike production capacity.

DRI European Energy Forecast. DRI Europe, 13 Rue du Quatre Septembre, Paris 75002; Energy Services, 30 Old Queen Street, London, SW1H 9HP; $2,100.

OVERSEAS NEWS

Moslem leaders agree Beirut security moves

BY NORA BOUSTANY IN BEIRUT

LEBANESE Moslem leaders meeting in Damascus yesterday decided on a series of steps for improving security in Beirut, the international airport and Palestinian refugee camps with the assistance of Syrian observers.

A lengthy communique issued early yesterday following marathon consultations with Mr Abdel Halim Khaddam, the Syrian vice-president, in the Syrian capital also called for a new constitution and deplored a U.S.-organised plan to boycott Beirut international airport in the wake of the TWA hijacking.

Lebanon's President, Amin Gemayel, yesterday told a group of foreign journalists in Beirut he was awaiting a report from Mr Rashid Karami, the Prime Minister, before evaluating the immediate outcome of the Damascus talks. A senior government official yesterday stressed Syria's pivotal role and interest in stabilising Lebanon, but expressed reservations on the membership of a proposed co-ordination and supervisory body that will include representatives of the dominant Shi'ite and Druze militias in Beirut, as well as Syrian observers.

The new security plan discussed by 13 Moslem ministers and key political figures calls for the creation of a committee including officials from the Shi'ite Amal movement and the Druze Progressive Socialist Party as well as members to be appointed by Lebanon's Minister of Defence. The official said Lebanon had no reservations about the inclusion of Syrian observers.

A special Lebanese army force is to be forged from the various brigades to help the Lebanese security police, entrusted with the disarming of militias and Palestinian guerrillas in mainly Moslem West Beirut.

During a Lebanese-Syrian summit between Syrian President Hafez al-Assad and Mr Gemayel on May 29, it was agreed that Syrian troops already deployed in Lebanon, would back Lebanese soldiers from positions in central and northern Lebanon in carrying out any major security measures if the need arises.

Lebanese officials said no direct Syrian military intervention was discussed but expressed hopes that the political cover and back-up provided by the Syrians would give the Lebanese armed forces the needed authority with the warring factions. They would not rule out or confirm a more active Syrian mission in the future, if all else failed.

"Syria has nothing but great glory to reap from success in Lebanon . . . If it fails in Lebanon, whatever happens in Lebanon will repeat itself in Syria," the official said, stressing the need for some Syrian presence.

Israeli strikes stepped up

BY DAVID LENNON IN JERUSALEM

ELECTRICITY supplies were disrupted yesterday and telephone workers and seamen halted work as Israel's unions began selective strike action to protest the new economic austerity programme which calls for substantial erosion of real wages over the next three months.

Little progress towards resolving the dispute, however, was reported after the second economic summit between the heads of the Histadrut trades union federation and the Prime Minister and Finance Minister.

The country's 60,000 civil servants staged a three-hour work stoppage to protest planned cuts in wages and staffing levels. Thousands of government officials attended a noisy demonstration outside the Knesset and the Treasury.

The Histadrut emergency committee decided it would call another general strike next Sunday or Monday if there is no progress in the negotiations with the Government.

The unions want wage erosion to be less severe than proposed by the Government; they want to be consulted about dismissals from the public sector and are insisting that the Government abandon its plan to impose these measures by emergency decrees.

Largest tanker hit in Gulf

THE LARGEST tanker to be hit since the outbreak of the Gulf war in September, 1980, was yesterday on fire and leaking oil about 115 miles south east of Iran's main oil export terminal at Kharg Island and about 20 miles from the coast, Our Middle East Staff reports:

The 188,668 tons M Vatan, owned by a Turkish company and chartered to Iran, was struck on the starboard side by a single Exocet missile believed to have been fired from an Iraqi Super-Etendard aircraft. According to Lloyd's of London the ship may be the largest marine casualty ever in terms of tonnage.

The captain of the M Vatan said none of the 33 crew had been hurt in the attack and had been picked up by salvage vessels after taking to the lifeboats. An Iraqi military communique issued in Baghdad claimed that its warplanes had struck a "large naval target."

The fully-loaded tanker is believed to have been operating the shuttle service between Kharg Island and Sirri to the south.

S. African violence claims more lives

By Anthony Robinson in Johannesburg

THE VIOLENCE which has swept through black townships east of Johannesburg in recent weeks claimed more victims yesterday when police shot and killed at least seven men and arrested 36 others after a large crowd stoned and set fire to the houses of two black policemen in Kwathema township.

The incident, which took place in the early hours of the morning, was followed several hours later by the shooting of at least two others when police fired on a crowd returning from the funeral of four men killed in Kwathema on June 26 when grenades exploded in their hands.

Police and eyewitness accounts of the first incident differ. The police claim the seven men died when police fired bird shot and pistols to disperse the crowd and that the mass arrests followed later after some of the crowd sought refuge in a local cinema.

The cinema was packed with mourners holding a wake for the four men killed in the grenade incident. According to eye-witness accounts, the police fired teargas into the cinema and the shootings took place as the crowd fled the cinema in disarray. Police denied that anyone was shot or injured at the cinema.

Meanwhile, community leaders in the three East Rand townships most affected by recent violence—Duduza, Kwathema and Tsakane—called on the Government to appoint an independent commission of inquiry to investigate police actions and methods in the townships.

NZ inflation rate at 17%

By Dai Hayward in Wellington

THE New Zealand Labour Government suffered its first major economic setback with the news last night that the annual inflation rate had reached 17 per cent.

For months Mr Roger Douglas, the Finance Minister, confidently predicted inflation would peak in June at 15 per cent. He recently revised this forecast upwards to 16 per cent but the 17 per cent figure now gives more weight and credibility to his political opponents who have claimed inflation would be much higher than Mr Douglas estimated.

Earlier last night before the official figures were released government speakers were putting the blame for the higher cost of living and inflation on mismanagement by the former National Government

However, the Government is determined to push ahead with its economic reforms including the controversial goods and services tax.

Alain Cass on a comprehensive analysis of the Chinese economy

World Bank lists China's options

CHINA will have to reform its system of economic management even further if the country is to meet its ambitious economic targets, according to a *major* World Bank *report*.

In doing so, says the seven-volume study, China faces some hard choices. It will also have to tackle a number of problems.

The report believes that China's objective of quadrupling agricultural and industrial production by the year 2000 and increasing per-capita income from the present level of $300 to $800 a year is not impossible. But it questions whether these objectives are realistic if the country is to achieve balanced economic growth.

The report, the most comprehensive analysis of its kind ever undertaken of the Chinese economy, calls for co-ordinated action on three fronts: greater use of market measures to stimulate available resources; better planning, combining direct and indirect economic controls; modification and extension of social policies to smooth out the *instability* and inequalities likely to be produced by the greater use of market *forces*.

The World Bank report comes at a time when the negative side-effects of China's pragmatic economic reforms are being acutely felt. In recent weeks Chinese leaders have spoken of the country's economy "overheating." Deng Xiaoping, China's supreme leader, said recently that the reforms were an "experiment" in apparent response to a vigorous debate taking place within the leadership over the pace at which reforms should be introduced.

The World Bank report, a confidential document sent to member governments at the end of May, is bound to add fuel to this debate.

The report says that China has done remarkably well so far in banishing hunger, disease and widespread illiteracy compared to many other developing countries.

But it also points to certain crucial areas of weakness in Chinese economic management. It calls for an alternative economic strategy to the present one which emphasises Soviet-style increases in physical production such as the agricultural and industrial targets for the next 15 years.

China is faced with a basic choice, says the report. It can either choose to go down the path taken by the Soviet Union and other East European economies. Or it could shift to a different pattern of growth such as the one adopted by Japan after the end of World War II in which a greater emphasis on services and the efficient use of resources outweighed rapid physical growth towards unrealistic targets.

Faster services sector expansion, says the report, would make it easier for China to absorb growth in the labour force, averaging about 10m new workers a year. It would help prune the economy's grossly inefficient industrial workforce and reduce the proportion of China's labour force that must remain in agriculture.

In order to achieve its aims, China will have to sustain a growth rate in per capita GNP of around 5.5 per cent a year. The report points out that such growth rates have been achieved by only two developing countries in the two decades between 1960-82: South Korea (6.6 per cent) and Greece (5.2 per cent).

More generally, adds the report, only one country—Japan—has caught up with the developed world from a position of economic backwardness. Others, *such as those in South America*, have experienced rapid growth but have remained far behind.

Recent economic reforms in China's agricultural sector have boosted production levels and incomes. The success of China's overall economic policies will now depend on whether the urban reforms announced at the end of last year can also be successfully implemented.

The Bank makes a series of detailed recommendations aimed at making the Chinese *economy more efficient*. These include:

- Substantial savings in energy consumption to help meet increased demand;
- A major expansion of China's *road* system to overcome severe transport shortages. The report points out that China still has a *rural road network half* the size of India's and fewer trucks per person than the states of Sabelian West Africa.
- Urgent measures to balance the needs of individual provinces with the objectives of the national economy. The report says there is too much concentration of industry in large and medium-sized cities. Industrial development should be *more* carefully planned.
- Enterprises should be given even greater freedom to set prices, hire and fire workers according to ability, make their own investment decisions and set their own prices. The report also calls for enterprises to be faced with greater competition as a way of improving efficiency. The report praises China for encouraging foreign investment and urges Chinese managers to learn from the example of foreign-run companies.
- An improvement in accounting and auditing procedures used by Chinese enterprises which, says the report, leave much to be desired. The report also urges a more comprehensive commercial and contract law to regulate business.
- A more realistic pricing system which better reflects the competitiveness of individual enterprises. The Soviet and East European experience, says the report, suggests that chronic shortages are the result of economic mismanagement and a rigid pricing system.

The report recommends a phased increase in the price of energy, transport, food and housing.

One of the most controversial items suggests that workers and peasants be allowed to buy the houses they live in—where these are owned by local authorities—or enterprises thus releasing government resources, encouraging savings and improving housing stock.

The report, which admires much of what has been achieved in China, concludes by saying that China's long-term objectives seem attainable in principle and, with the right mix of policies, in practice.

Figures showing that China's foreign exchange reserves fell sharply in the first quarter of this year will add to the worries of those Chinese leaders who believe that the economy may be out of control, Robert Thomson writes from Peking.

The People's Bank of China *says the exchange reserves* fell from $14.42bn (£10.7bn) in December to $11.62bn at *the end of March*. At the beginning of the fourth quarter last year, it stood at $16.3bn.

The Chinese Government has already moved to tighten control over the reserves by cutting back on imports, taking a more selective line on joint ventures, and requesting that provinces establish strict priorities in their need for foreign machinery

Asean urges support for Khmer resistance

By Chris Sherwell, South-East Asia Correspondent, in Kuala Lumpur

NON-COMMUNIST South-East Asian nations yesterday condemned Vietnam for its occupation of Kampuchea and recent troop incursion into Thailand, and urged other countries to support guerrillas fighting the Hanoi-backed *regime in Phnom Penh*.

The condemnation, by foreign ministers of the *Association* of South-East *Asian* Nations (Asean) meeting in Kuala Lumpur, coincided with a visit to the Thai-Kampuchea border by Mr George Schultz, the U.S. Secretary of State and fresh reports from Washington of CIA aid for the Kampuchean resistance.

Other points in yesterday's end - of - meeting communique covered Asean's fears of protectionism and a call for international efforts to combat the drugs trade and the Kampuchean refugee problem.

Mr Shultz will join senior ministers from the EEC, Japan, Canada, Australia and New Zealand in talks later this week with Asean's six members, Malaysia, Thailand, Indonesia, Singapore, the Philippines and Brunei.

On Kampuchea, the communique attacked Vietnam's pursuit of a military solution and reaffirmed Asean's call in February—without spelling it out—for international military assistance for the guerrillas. The ministers said the guerrillas "continued to cause serious disruption" to Vietnamese forces, despite Hanoi's powerful dry season offensive earlier this year.

The diplomatic stalemate was underlined on Monday when Asean called on Vietnam to hold indirect talks with the Kampuchean resistance coalition,

Moscow 'may ease' stance on Star Wars

SOVIET negotiators have indicated they would be willing to accept an arms treaty allowing research but not testing of *President Reagan's Star Wars* missile defence system, the New York Times said yesterday, Reuter reports from New York.

The New York Times quoted Administration officials as saying members of the Soviet negotiating team informally approached U.S. negotiators in Geneva two weeks ago to say Moscow was no longer seeking to ban all research but wanted to distinguish between that which it would allow, and development and testing which it would ban.

The Geneva talks have been deadlocked over President Reagan's Strategic Defence Initiative (SDI), commonly known as Star Wars, with Soviet insistence on a ban on all research and a U.S. refusal to discuss any limits.

A U.S. official said Soviet negotiators "have sent mixed signals" on whether they would accept research but not development and testing.

The New York Times quoted a senior Administration official as saying the latest Soviet ideas would still be unacceptable to the Administration but showed "more refinement" on Moscow's part. He said the Soviet Union was now "concentrating on what bothers them most rather than on banning everything."

Reagan names French envoy

PRESIDENT REAGAN yesterday nominated Mr Joe Rodgers, a member of the Foreign Intelligence Advisory Board, to be U.S. ambassador to France, Reuter reports from Washington. If confirmed by the Senate he would succeed Mr Evan Galbraith.

Mr Rodgers, 51, served as U.S. Commissioner-General at the 1982 world's fair and previously headed investment and construction companies in Nashville, Tennessee.

He was appointed to the President's Foreign Intelligence Advisory Board in 1984.

Murdoch's papal coup ends up as a rewrite

BY WILLIAM HALL IN NEW YORK

HAS Rupert Murdoch, the Australian publishing magnate, signed up the Pope to write a weekly column or is it yet another of those sensational stories which needs the facts checking?

Ever since word leaked out that Mr Murdoch's News America newspaper syndication service planned a regular *weekly column headed* "Observations of Pope John Paul II," rival newspapers around the world have been desperately trying to find out, first, whether it is true and, second how much be has had to pay the Pope to sit down and bang out his column each week.

Initially, Murdoch executives were using words like "historic" to describe their latest publishing coup and Mr Richard S. Newcombe, President of the News America London Times syndicate, is reported to have said that this is "the first time a Pontiff has chosen to communicate regularly with millions of people through the world's foremost informational medium."

However, the Murdoch camp's pride in its latest scoop was dented somewhat after Monsignor Giulio Nicolini, a Vatican spokesman, described the story as "laughable" aid said the Pope's writings and speeches were freely available and could be reprinted wherever.

Since then the Murdoch team has been keeping its head down and referred all queries to Mr Arthur M. Klebanoff, the New York lawyer who has acted as intermediary between Mr Murdoch and the Vatican.

He insists that there is a deal for a weekly column, but he says that the idea of the Pope sitting down once a week to hammer out his thoughts on everything from nuclear *disarmament* to pornography is wide of the mark.

Mr Klebanoff's firm, EAV Associates, will take the Pope's various writings and speeches over the years, and edit them down into a 600 to 700 word weekly column which will be syndicated to newspapers around the world. His partner is Dr Alfred Block, a 62-year-old Catholic scholar, who has translated the Pope's writings in the past.

Mr Klebanoff, a literary agent whose firm has done a number of deals with the Vatican covering Catholic greeting cards, Vatican tours and Christmas ornaments, said yesterday that it was correct that anyone who wanted could republish the Pope's writings but stressed that he was "satisfied that we have the right to create the format for a column." In this regard it was a unique arrangement.

He does not have a signed contract with the Vatican but has "appropriate confirmational letters" from Cardinals Stickler and Gagnon. He says that his firm has been given "permission and encouragement to edit and adapt" the Pope's writings and stresses that the Vatican has the final editorial say. "Our objective is to make certain that they are comfortable with the column," says Mr Klebanoff.

Mr Murdoch's contract for the column is with Mr Klebanoff's company and is not direct with the Vatican although Murdoch officials visited the cardinals in Rome in pursuit of their coup.

The final question is how much is the Pope getting paid? Here there is a big silence and all Mr Klebanoff will say is that the proceeds of the syndication rights will be split between the 500-year-old Vatican Library and the Pontifical Commission for the Family.

Reagan moves to break impasse over U.S. budget

BY STEWART FLEMING IN WASHINGTON

PRESIDENT Ronald Reagan yesterday signalled his determination to try and help resolve the impasse over rival proposals in Congress to cut the Federal budget deficit.

Following the President's hour long meeting with Republican Congressional leaders, Mr Larry Speakers, White House spokesman, said that Mr Reagan agreed to explore a number of compromises on two of the most contentious issues dividing the House and the Senate. Mr Reagan, he said, was willing to accept $6m less of actual defence spending or outlays, if the House agreed to approve the level of defence spending authorisation proposed in the Senate budget resolution. The Senate proposal is for defence authorisations to rise at the rate of inflation. The House proposes no increase in defence authorisations.

Possible compromises over the most contentious issue, cuts in social security spending, were also examined. The dispute between Senate Republicans and House Democrats over whether or not budget savings should be made in the social security system has been one the major stumbling blocks in efforts by negotiators in a House/Senate conference committee to reach *agreement on a compromise* budget resolution which both Houses of the Legislature could approve.

Following the meeting, House minority leader Mr Robert Michel said that the meeting with the President indicated that efforts to cut the $200bn plus federal budget deficit are "back on the front burner" at the White House. Mr Speakes said that the President wanted agreement on a compromise budget resolution "this week."

Mr Reagan was scheduled to meet Republican and Democratic Congressional leaders later yesterday and members of the House Senate conference committee today.

Budget experts on Capitol Hill saw yesterday's meetings as a clear signal of White House determination to try and break the budget deadlock and as an indication by the President that he is willing to be flexible in trying to achieve a breakthrough. But Mr Michel indicated that there are still considerable problems in the way of bi-partisan agreement on a deficit reduction plan.

ENDING OF THE ARGENTINE TRADE BAN

Britain makes a clear gesture of goodwill

BY ROBERT GRAHAM, LATIN AMERICA EDITOR

THE LIFTING of the British trade embargo against Argentina on Monday is the first unambiguous gesture of good will by Britain since the Falklands conflict in 1982. In making this gesture, which Argentina can easily present as a British concession, the ball is now clearly in Argentina's court to respond.

Until now the various moves made by Britain to remove tension and restore normal relations could be interpreted by Argentina as solely dictated by necessity.

This was the case for instance with the restoration of financial links. If they had not been restored the position of British creditor banks negotiating Argentina's foreign debt would have been seriously complicated.

Equally the transformation of the 200-mile exclusion zone into a 150-mile protection zone around the islands was aimed at demonstrating to the international community that as for Britain the hostilities were over.

There are two principal reasons behind Britain's diplomatic initiative. Firstly, Britain has been searching for ways to restart a dialogue after the abortive talks with Argentina under Swiss aegis in Berne in July 1984. These talks were little more than a dialogue of the deaf and broke down essentially over the vexed issue of sovereignty over the islands.

The Government of Mrs Margaret Thatcher remains wedded to the idea of sovereignty being not negotiable, neither now or in the future. The administration of President Raul Alfonsin in Argentina believes that since the cause of the conflict lay over disputed sovereignty, this issue cannot be ignored or brushed to one side for ever.

Purchase of Argentine goods by Britain totalled £136m in 1981, the last full year of trade. Since then Britain has found new sources of supply for such *traditional staples* as meat, corned beef and wool bought from Argentina. However, importers yesterday insisted that if Argentine prices were competitive then the market could be re-established. Thus the gesture, apart from its symbolic nature, does offer the prospect of valuable foreign exchange for Argentina in its current economic crisis.

While Britain is genuine about wanting to re-establish a dialogue, it is hard to see how this can be restarted when the Berne formula was allegedly worked out so carefully in advance.

This raises the second motive for the lifting of the trade ban. Britain has been under discreet pressure from its European allies, and to a lesser extent from the U.S., to restart talks with Argentina. At last year's *UN General Assembly* vote on the Falklands it was made clear that Britain could not rely on blank-cheque support indefinitely without some sign of progress in resuming normal relations with Argentina, especially as the latter is struggling to consolidate democracy.

The unilateral ending of the trade ban should head off any European or U.S. impatience with Britain when the Falklands comes up for debate in the autumn at the UN. Thus with very little effort Britain is covering itself diplomatically and at the same time offering Argentina a reasonable justification to itself to make a move.

Howe—a positive move

Brazil hints it may be willing to help U.K. over Argentina

BY ANDREW WHITLEY IN BRASILIA

BRAZIL IS looking to Britain for support in dealing with the International Monetary Fund and its creditors. In return, a senior Brazilian official suggested yesterday, Brazil "may be able to help" improve Anglo-Argentine relations.

In the absence of formal diplomatic relations, Brazil is the "protecting power" for Argentina in its dealings with the UK. While not disguising its basic sympathy for the Argentine position on the Falkland Islands, the Brazilian Government has maintained a low key and even-handed stance on the dispute.

On the second day of an official visit to Brazil Sir Geoffrey Howe, the British Foreign Secretary, yesterday heard Brazilian officials argue that a recent economic package of spending cuts and tax increases was the furthest the government of President Jose Sarney felt it could go in striking a deal with the IMF.

The IMF is currently weighing up the package prior to the scheduled imminent renewal of negotiations on a new austerity programme and a linked $1.4bn (£1.04bn) stand-by loan. It had been hoped to have a new Letter of Intent drafted by next Monday.

But Brazilian officials said this week they have made clear to the Fund they do not want to re-open intense domestic debate which preceded last Thursday's decision to cut public expenditure this year by Cru 34,000bn (£4.2bn).

In a speech at the banquet for the British Foreign Secretary on Monday night, Sr Olavo Setubal, the Brazilian Foreign Minister, delivered a sharp rejoinder to the view, repeatedly expressed in London and Washington, that the resolution of the Latin American debt crisis should be left to "market forces."

Last year debt interest payments corresponded to 40 per cent of Brazil's exports and 4 per cent of gross domestic product—and had consumed the record trade surplus achieved. "It is difficult to conceive the maintenance of this situation for an indefinite time," he warned.

Senate to debate Bill on easing gun controls

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

THE U.S. SENATE was yesterday due to take up a controversial conservative-sponsored Bill making it easier for Americans to buy guns, which opponents have already denounced as a "guns for criminals" charter.

Advocates of tighter gun controls, however, were hoping that the debate might ultimately advance their uphill struggle to reduce the vast numbers of handguns freely circulating in the U.S.

The explosive issue, one of the most emotional in American politics, was brought to the surface by legislation introduced by right-wing Republican Senator ames McClure of Idaho. His Bill would water down a 1968 prohibition on gun sales to "out-of-state" residents, purportedly to reduce red tape for men and gun enthusiasts.

The Bill, however, would *make no* distinction between sportsmen and criminals prevented from buying guns in their own states. According to its opponents, who include police and law enforcement officers, a provision that purchasers would have to qualify under their own state laws, as well as in the state where the sale took place, would be virtually unenforceable.

Gun control advocates, however, see hope in a compromise expected to be proposed by liberal Democratic Senator Edward Kennedy of Massachusetts, under which the ban would be relaxed for rifles and shotguns only.

WORLD TRADE NEWS

Italy tells Soviet Union to act quickly on trade imbalance

BY JAMES BUXTON IN ROME

THE Italian Government has told the Soviet Union that it must act quickly to correct the serious imbalance in the trade between the two countries.

Sig Giulio Andreotti, the Foreign Minister, yesterday told Mr Nikolai Komarov, Soviet Deputy Foreign Trade Minister, that Italy is becoming increasingly worried about the size of its trade deficit with the Soviet Union which last year amounted to L4,300bn (£1.62bn).

Italy has been pressing the Soviet Union to conclude a whole series of contracts which have been under negotiation between the Soviet authorities and leading Italian companies for a long time.

Recently the Soviet Union concluded three major contracts with Italian companies—Finsider, the steel corporation for supply of steel products, Danieli, the plant engineering concern, and Cogolo, which makes tannery equipment—but many others remain under negotiation.

At the meeting in Rome of the Italo-Soviet Mixed Commission Italy pointed to Soviet promises to reduce the deficit after last year's agreement by the state energy company ENI to purchase more Soviet gas.

ENI, Italy says, has *scrupulously* kept to its side of the agreement and has bought the stipulated quantities of gas.

Italy has, however, achieved one significant success in the fact that the contract with Danieli, worth about L500bn to build a plant to make oil drilling equipment, was denominated in European Currency Units. This is the first time the Soviet Union has been prepared to do this.

This is important for Italy since ECU financing of export contracts is cheaper than dollar financing.

Yesterday Mr Komarov repeated to Sig Andreotti past assurances that the Italian deficit with the Soviet Union would be halved over the 1985-1986 two-year period.

● The Soviet Union has asked Egypt to postpone talks concerning a five-year trade protocol between the two countries, Egyptian Economy Minister Sultan Abu Aly has said, AP reports from Egypt.

Sultan Abu Aly, speaking at the end of one week of talks with a Soviet delegation, told the Middle East News Agency that the trade balance was tipped in Egypt's favour by £420m in this year's protocol.

"The Soviet side asked to postpone discussing the protocol because they have not finished preparation of their own Five Year Plan until now," Sultan Abu Aly was quoted as saying.

He added that the talks covered the implementation of the 1985 trade protocol between Egypt and the Soviet Union which was signed two months ago and amounts to £615m.

India seeks to improve oil drilling incentives

By K. K. Sharma in New Delhi

THE INDIAN Government is studying models of incentives offered by countries like China and Indonesia to foreign oil companies for off*shore exploration to enable it* to improve terms for prospective bidders when blocks in the Indian continental shelf are offered later this year.

A third round of bids is to be called by the Government as part of its plans to make the country self-sufficient in oil. India produces around two-thirds of its annual requirements of just over *30m tonnes of crude, the bulk* of its from the Bombay High Offshore Field in the western continental shelf.

Two rounds of earlier bids by foreign companies proved unsatisfactory. In the first round, only Chevron of the U.S. was awarded a contract for a structure off the western coast and this company has now withdrawn after unsuccessful *drilling. No satisfactory* offers emerged in the second round.

A major deterrent is thought to be the Government's efforts to keep the most promising structures for its own agencies, the Oil and Natural Gas Commission and Oil India. Both are already exploring in various parts of the continental shelf.

The additional concessions to be offered to foreign oil companies include tax incentives and better terms for production sharing in the event of a successful strike.

India's continental shelf is considered highly promising following seismic studies that have indicated the presence of hydrocarbons.

● Foreign oil drilling contractors are to be forced to sell at least 20 per cent of their equity to local firms by January 1 next year, the Indonesian Investment Co-ordinating Board said yesterday.

The move, designed to increase the transfer of technology to local companies and to tighten up tax collection procedures, does not appear to affect the operations of oil companies in Indonesia. In spite of this, shares of oil companies active in Indonesia, notably Lasmo and Ultramar, fell sharply on the London Stock Exchange.

Anthony Moreton previews a series of meetings on the international textiles agreement

Battle begins on the future of the MFA

LEADERS of more than 50 countries involved in the textiles trade will gather in Geneva on July 23 to review the working of the Multifibre Arrangement (MFA), the world agreement that governs some 80 per cent of international trade in textiles and clothing, over the past three years.

Their meeting is the first in a series that will culminate in a decision to renew or end the MFA at the end of July, 1986, 12 years after the arrangement was introduced.

Most of the Third World, low-cost supplier countries want the MFA ended and Western markets opened up to their goods without any restrictions. They are not nearly so unanimous about this, however, as appears from their public pronouncements.

Most of the Western world, who are producers as well as consumers, want the MFA extended, but appear to be softening in their protectionist resolve.

Mr Paul Channon, British trade minister, was the first to offer an olive branch when he called *for a renewal* as a *transitional* measure while a new Gatt (General Agreement on Tariffs and Trade) round to cut all tariffs was being negotiated.

Channon: called for renewal as transitional measure

Other European governments, such as West Germany, would support that view.

This month's Geneva meeting will not reach any conclusions, but it is important because in its review of the past three years it will set the tone for the next 12 months.

Thirty low-cost countries, for instance, are to meet in Seoul in September to co-ordinate their opposition to any extension, the latest in a series they have been holding.

Their argument is that the MFA was never intended to be a mechanism for restraining exports.

"The MFA is about market disruption," according to one official. "It is not about diverting trade from one developing country *to another*.

"To suggest now, that the renegotiation of the MFA would be the appropriate occasion to negotiate the opening up of those exporting developing countries which either have very high tariffs or totally prohibit imports is a misunderstanding of what the textile talks starting this July are all about."

The official said tariffs should be discussed in the context of a Gatt round of tariff negotiations.

"Some of these high tariffs are maintained for perfectly defensible reasons and are within the Gatt rules."

Sr Sergio Delgardo, former leader of the Mexican delegation to Gatt in Geneva, said that Mr Channon's approach was simply "not acceptable."

The *low-cost* suppliers were happy that, for the first time, the West was talking about easing restrictions on imports but was concerned about the way in which attitudes had hardened in the U.S. this year, he said.

"If a proposed U.S. Bill (the Jenkins Bill) to restrict imports, goes through Congress, it would create very difficult conditions for the negotiators in Geneva."

The general view in Gatt is that if the Bill goes through there can be no further MFA because subsequent American protectionism would make it inoperable. At the same time, it could deal a death blow to Gatt itself since the U.S. would not be allowed to participate in an essential part of its operations.

Despite the seemingly solid opposition to the MFA, the developing countries are divided on the issue.

The more industrially advanced countries, such as Suoth Korea and Hong Kong, are thought to be prepared to offer concessions and others could join them.

On the *other side of the* fence, the European Community, which negotiates on behalf of all 10 member states, would like to settle the question of the future of the MFA this year because the accession of Spain and Portugal in January 1986 could complicate matters.

"Portugal sees the MFA in exactly the same way as France does the Common Agricultural Policy," according to one Eurocrat. "It is prepared to die for it. It is therefore essential to get a European consensus in Brussels before the Portuguese occupy their seat around the table."

There is also a growing feeling in European capitals that Gatt itself is coming apart at the seams. There are worries not just about creeping protectionism but also about creeping cynicism.

"It's rather like footballers who come to believe that the professional foul is not really a foul at all but is within the rules of the game. It's not part of the game and the rules must be adhered to."

The European Commission is also seriously concerned about the Jenkins Bill in Congress. "Carrying the U.S. with us *must be a major objective*," according to one official in Brussels.

Matra Harris and SGS in semiconductor project

BY DAVID MARSH IN PARIS

MATRA HARRIS Semiconductors, the Franco-American electronics grouping, is launching an advanced semiconductor assembly project with SGS-Ates, the Italian integrated circuits company.

The agreement will lead to the setting up of an automated assembly line at the Matra Harris existing integrated circuits plant near Nantes in western France.

Matra Harris a joint company owned 51 per cent by Matra, the French defence and electronics group, and 49 per cent by Harris of the U.S. has been negotiating the deal with SGS for several months.

The accord is in line with Matra Harris' strategy of bringing back to France some of the chip assembly work which is carried out on cost grounds in plants in the far east.

Both Matra Harris and SGS will provide expertise in developing automated assembly techniques for the new system. They are hoping that other European companies will join the project.

Japan moves to open up markets

BY JUREK MARTIN IN TOKYO

JAPAN yesterday announced its intention of making access to its domestic markets easier for foreign suppliers. However it provided only vague details and an imprecise timetable for achieving its aim.

An "interim" report on the three year import action programme, to be completed later this month, focused mainly on standards and certification and government procurement policies.

Its announcement was clearly connected with the departure on Friday for a European tour of Mr Yasuhiro Nakasone, the Prime Minister. At a Cabinet meeting yesterday, Mr Nakasone expressed mild dissatisfaction with the progress bureaucrats were making in drawing up an effective programme.

It is considered likely here that the Prime Minister will adhere to Japanese custom and make a "present" to at least one of the countries he is visiting. Yesterday's announcement referred to "emergency import measures" only in vague terms, beyond confirming the offering of special Export-Import bank preferential terms for importers. However, Mr Nakasone may, for example, while in France state Japan's willingness to buy French helicopters.

The package contained random statements of improvement in various areas of testing and customs procedures. A Foreign Ministry official said it should be considered more "as a table of contents with a few specific examples, but does not represent the whole."

Changing standards and certification procedures alone, he said, required amendments to IG national laws. The Government had not yet decided whether to present the amendments as a uniform Bill or separately; nor was it clear if they would be debated by an extraordinary session of the Diet, which could be convened at any time, or at the next ordinary session

In broad terms, Japan committed itself yesterday to reducing the government's role by promoting self-certification by industry. It cited the example of electrical appliances, where 425 items require government checking of safety standards and only 72 approval by manufacturers. The aim is to double the second category.

It also spoke of the need for greater simplicity, transparency and conformity to international norms in setting standards and import procedures.

In committing itself to greater government procurement of foreign commodities, Japan pledged itself to simplified tendering procedures, including, in the case of competitive tenders, an extension in the minimum bid time to not less *than 40 days, 10 days more than* at present.

In principle, it said, each government agency will introduce a single, unified, qualification rating system for all potential suppliers, Japanese or foreign.

New Zealand to continue some preferential trading

BY CHRIS SHERWELL IN SINGAPORE

NEW ZEALAND, in an awkward reversal of position, has decided to continue giving preferential treatment to certain imports from Singapore and Brunei.

The surprise decision followed strong objections to changes by New Zealand in its generalised scheme of preferences. The changes ended preferential treatment for developing countries whose per capita Gross National Product exceeded 70 per cent of New Zealand's.

Under a compromise arrangement, Singapore and Brunei, like several other relatively well-off countries affected by the ruling, will stay off the list of favoured nations as planned. But in Singapore's case 34 out of 35 affected items will continue to receive preferential tariffs and Brunei will also be helped.

The New Zealand decision was communicated to the two countries yesterday and revealed in Kuala Lumpur, where foreign ministers of the six nations belonging to the Association of South East Asian Nations (ASEAN) – Singapore, Brunei, Malaysia, Indonesia, Thailand and the Philippines – are holding their annual meeting.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

RESOURCES REVIEW

Indonesian coal: a battle to confound the sceptics

By Kieran Cooke in Jakarta

"IF I was betting ou the future of Indonesia's coal industry," said the Canadian engineer, "I'd make it an each-way wager. They've got the coal, seem to have the funds but they've got the problems in plentiful supply as well."

Many people would share thst view. Coal is perhaps Indonesia's most under-used source of energy, eccounting for less than 1 per cent of energy needs, having been ignored as the country has developed into Asia's biggest oil exporter.

But now all that is changing. In tba present five-year plan—called Repelita IV—the target is for production to leap to 9.7m tons by 1989, and more than 12m tons by 1990. Last year, produtcion was a little over 1m tons. Several international companies have started to look at Indonesia as a potentially significant player in the important Pacific Basin coal market.

The Government plan, however, is thought by soma to belong more to the realm of fantasy than reality, yet another example of over-ambitious government targets. Bnt the economic planners are adamant: the diversification of energy supply away from oil to coal, and to e lesser extent, to hydro-electric power and even nuclear fuels, is a key element in the country's overall economic strategy. Indonesia—a country of 160m people, stretched across an area wider coast-to-coast than the U.S.—cannot afford to allow domestic energy demand, wblch is going up by about 10 per cent each year, to absorb too much of its oil output. At present revenues from oil exports account for more than 60 per cent of foreign exchanga earnings.

Estimates of Indonesia's actual coal reserves change almost daily. But even the most *conservative put them in excess* of 15,000m tons and some go as high as 20,000m tons. These are found in three maln ereas: at Ombilin in West Sumatra, Bukit Asam in South Sumatra, and in Kalimantan, once the island of Borneo. Some production has been going on at both sites in *Sumatra* for more than 60 years though coal development on Kalimantan is mucb more recent. Prospects for big increases in production at Ombilin and in certain areas of Kalimantan are encouraging. However, Bukit Asam, which is being developed into Indonesia's biggest coal project, is rapidly turning into a planner's nightmare.

According to original government plans, production at Bukit Asam should have reached nearly 1m tons last year. However, production was in fact nnder 500,000 tons, and many are beginning to question government targets of production of 3m tons by 1989. In the late 1970s, the World Bank drew up a $1.12bn plan for the exploitation of an estimated 350m tons of coal from three mines at Bukit Asam. The project, 60 per cent funded by tbe World Bank and also by export credits from West Cermany and Canada, aims to rehabilitate and develop open-cast and underground mines, to both upgrade and build railway tracks of more than 450 kms and to construct a terminal at *Tarahan on the southern tip of* Sumatra.

Coal would be taken from *Tarahan across* the *Sunda straits* to West Java to feed the new Suralaya power station. The *first two 400 Mw units at* Suralaya are already in operation and, as further expansion *is carried out, it is estimated* that by 1990 the plant will need abont 5m tons of coal feedstock each year. *But because of prob*lems and delaya at Bukit Asam, Indonesia has been forced to sign contracts with Blair Athol of Australia for delivery of more than 400,000 tons of coal for Suralaya. International tenders bave already gone out for further imports of nearly 2m tons and it is calculated that if the difficulties at Bukit Asam are not aolved soon, Indonesia conld be forced to import up to 3m tons over the next three years.

Seemingly endless bureaucratic delays, arguments between vested interests, land compensation disputes, and major geological problems bave ell bedevilled developments at Bukit Asam. At the site itself, rehabilitation work bas proved far more *difficult* than anticipated. Large amounts of equipment, mainly from West Germany and Canada, are meanwhile laying idle. Sections of the railway track linking Bukit Asam with the *coast* are *still* not completed, both because of construction problems and contractual *disagreements between* Indonesian and foreign suppliers. But it is at the Tarahan *coal terminal, being built jointly* by Balfonr Beatty of Britain and Dominion Bridge of *Canada*, that the *most* complex problems bave arisen.

The project, costing more than $70m is literally sinking. What one engineer described as the worst settlement problems be bas ever seen threaten the future of the site at Tarahan. The government says the structural foundation at Tarahan bas already sunk more than 70 cms, and thougb work is far progressed, alternative sites are being considered. The convulsions caused by the explosion of the nearby Krakatoa volcano 100 years ago, are thought to be one reason for the freakish geological conditions. Prospects st Ombilin seem to be brighter. Last year production at the mine, which is estimated to have total reserves of more than 40m tons, was 583,000 tons —an 80 per cent increase on the 1983 figure.

A large-scale expansion is under way, both at open-cast sites and on a new underground mine, designed to take production to more than 1m tons by 1987. Tha C Itob company of Japan and several Britisb companies, including Dowty Meco *and British Mining Consultants*, are beavily involved et Ombilin. Dowty Meco recently won a *£20m contract* for the *supply* of underground mining equipment. The contract includes establish*ing a training school at the site* and specialised teaching in Britain. Negotiations are also under way with several Australian, Japanese and Canadian companies for further development, not only of Ombilin, but of other nearby sites.

Coal is transported out of the Ombilin area by train to the port of Padang on Sumatra's west coast where a terminal is nearing completion. Though Ombilin has run into far fewer problems then Bukit Asam, there is one concern et the lack of government help in building sufficient infrastructure: a particular worry at present is a shortage of rail coal carriers. A large percentage of Ombilin's production goes to feed Indonesia's burgeoning cement industry, which bas been ordered by the government to switcb to coal firing. Despite shortfalls on the domestic market, Ombilin's production also goes for export. The high qnelity coal produced at *Ombilin is* worth valuable foreign exchage: also, exports bave to be continued to fulfil *existing contractual* obligations. Last year more than 300,000 tons of *Ombilin'a* production *was exported* to *Taiwan*, Malaysia and Bangladesh.

Bnt while developments continue at Bukit Asam and Ombilin, *government hopes* for a massive expansion ln coal output rest chiefly on Kalimantan. The state coal company, P. T. Tambang Batubara, has set a target of more than 7m tons from the area by the end of the decade—from only a few thousand tons at present. Preliminary finds by several foreign concerns indicate that sucb a target, though ambitious, is not entirely fanciful. In the early 1980s, the government decided that it did not have sufficient funds available to develop reserves in Kalimantan. It therefore decided to offer concessions to foreign com*panies* based on a *maximum* nine-year exploretion and 30 years' exploitation period. Under the terms of production sbaring contracts, Indonesla will take 13.5 per cent of eventual production and, in return, give considerable investment and tax incentive.

British, Italian, South Korean, Jspanese, Spanisb, Taiwanese and severel companies from the U.S. and Australia are involved in exploretion work in Kalimantan. Many are bullisb about prospectse so far: BP, which is exploring a block in east Kalimantan, along with Conzinc Rio Tinto of Australia, is likely to announce *soon significant finds* of high standard coal. Other companies have already said thye are ready to start production work. One factor wbich bas encouraged companies involved is that much of the good quality coal is available at relatively sballow depths and, contrary to earlier predictions, can be recovered by open-cast methods.

Foreign companies are, however, unlikely to proceed to the production stage without firm sales guarantees which are most likely to come from the state electricity body and from cement plants in Java and eastern Indonesia.

Considerable work also has to be done to provide the necessary infrastructure in the form of *ports, coal terminals* and railways. The Government bas so far made no commitment about exactly what *funds* lt will make available for sucb projects.

One scheme frequently mentioned is the construction of a large coal terminal on Batam, the Indonesian island just off Singapore wbicb is at present being developed into a special economic and industrial zone. Coal exploration projects are likely to proceed elsewhere in the Archipelago. The province of Irian Jaya in the East is *known to have significant* coal deposits. In Bengkulu, West Sumatra, a Korean consortium *says* that it *has found* evidence of coal deposits of more than tbn tons.

The *potential nf other* deposits in northern Sumatra and west Java is meanwhile only just beLng realised. Originally Indonesia saw ltself as a net exporter of coal by the early 1990s, fuelling the growing economies of lts neighbours in the Association of South-East Asian Nations and of other countries on the Pacific rim.

But, given the problema of Bukit Asam, such projections now seem nnlikely to be fulfilled.

Continued coal development rests very mucb on the growth and bealth of the Indonesian economy. If the economy con*tinues* to *grow* st its *present* rate of about 5 per cent a year, the demand for coal and the *stimulus* for its *development* is likely to be sustained. But lf the economy falters, then both domestic and foreign funds are likely to dry up and projects will have to be shelved. Indonesia, lf not everyone else, feels it is on to a winner.

UK NEWS

Miners apply for injunction to stop split

BY JOHN LLOYD, INDUSTRIAL EDITOR

MINERS in Nottinghamshire who are opposed to the establishment of an independent area union in the coalfield are to seek an injunction in the High Court today against the area breaking away from the National Union of Mineworkers (NUM).

The injunction is understood to be taken out in the name of Mr Henry Richardson, the Notts area secretary who supported the strike and was sacked from his post by his area executive – although he retains recognition by the national NUM.

Most miners in the Notts coalfield – the second biggest in the country after Yorkshire – worked throughout the recent year-long pit strike.

The case is a crucial one for both the NUM and the new Nottinghamshire union, which was announced last weekend. It will determine whether or not the independent area union will be able to continue to represent members in the area, negotiate with the National Coal Board (NCB) and form the core of a new miners' federation with miners from other coalfields.

The injunction, understood to have the backing of the NUM, will allege thet leaders of the "breakaway" union have acted unlawfully under the rules of the NUM, voted in at the unions' conference in Sheffield, Yorkshire, last week.

A new rule lays down that "no person shall be a member of an area who is not a member of the union" – thus reversing the previous positioa under the old rules, by which miners were first members of their area union, then of the NUM.

The NUM rule changes and the antipathy shown to the Notts delegates at the Yorkshire conference helped to cause the breakaway by Notts.

The Notts area is likely to argue that the new rules were themselves brought in unconstitutionally, because they were voted in en bloc before amendments to them, or to the old rules, were considered. It may also argue that the Nottinghamshire area is itself an independent union, the executive of which is free to take decisions as to its future.

After legal advice, the Notts area leaders are likely to drop their plan to rename the union the "Nottinghamshire Union of Mineworkers" and to retain, for the time being, the name "National Union of Mineworkers, Nottinghamshire Area." It is registered as an independent union under this name.

The NCB is also concerned over the legal standing of the Notts union under the terms of the 1946 Coal Industry Act – which lays down that the board must negotiate with the proper representatives of its workforce.

It is feared that the NUM could challenge separate representation for Notts or other miners by an independent union – especially if that union does not receive recognition from the Trades Union Congress (TUC).

Mr Ray Chadburn, the Notts area president, spent four hours at the NUM's Sheffield headquarters yesterday discussing his and the union's legal position in Notts.

Earlier, Mr Chadburn had found himself locked out of the Notts area offices in Mansfield. When he attempted to gain entrance, he was forbidden to do so by Mr Roy Lynk, the area secretary.

Motor industry starts electronic system for 'paperless' orders

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE UK MOTOR industry has set up a paperless business communications system which, it claims, could produce savings of up to £200 a vehicle when fully operational.

It was predicted yesterday that the scheme would quickly be expanded so that, before long, every major European vehicle producer and component supplier would be able to transact business with an almost total absence of paper.

The UK service, called Motornet, offers manufacturers and suppliers the means to exchange information swiftly and accurately. The aim is to shorten the order cycle and minimise stock levels – releasing the capital tied up in inventory – and to receive orders the same day as they are raised.

It has been developed for the UK Society of Motor Manufacturers and Traders and uses an electronic document clearing house supplied by Geisco (General Electric Information Services Company).

Geisco, a leading U.S. computing services organisation, provides direct computer-to-computer links, known as Electronic Data Interchange, to overcome the problem associated with data communication in the past – that for technical reasons one company's computer is not able to "talk" directly with another's.

Ford, General Motors (Vauxhall-Opel), Austin Rover, Peugeot Talbot, Perkins, Lucas, IMI Radiators and TI Cheswick were among companies which have taken part in a pilot test of the system. It is now being opened to the rest of the UK motor industry with a target of 50 participating companies by the end of 1985.

Mr Tony Craig, chairman of Geisco's UK subsidiary, insisted yesterday: "Motornet" will propel the British motor industry into a new era of efficiency and competitiveness. Its introduction marks not only an important step in the development of paperless transactions but also probably the most dramatic initiative in this field taken by a trade association in the UK, if not in Europe."

UK ship leaves crash search

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE UK has withdrawn from the investigation into the crash of the Air India 747 jet off the coast of Ireland after difficulties over the inquiry's management.

All 329 passengers and crew were killed in the disaster, on June 23.

The UK's role had been limited to participating in the search for the 747's flight data recorder – known as its "black box" – which is believed to be on the seabed some 2,000m down.

Sweeps by detecting equipment towed behind a vessel, chartered by the UK Department of Transport's Accidents Investigation Branch (AIB) on behalf of the Indian Government, had located signals thought to come from the beacon attached to the recorder. The AIB had been hopeful of finding its exact position.

There has been considerable lack of co-ordination in the search, with other ships also trying to locate the beacon, getting in each other's way and generating confusing underwater signals.

The situation over recent days has been described as "a recipe for muddle," with no single authority apparently in command. The U.S., Irish and Canadians have also been involved.

The UK vessel, Gardline Locator, was prepared to make two final sweeps to establish the beacon's location within 25m, but found it almost impossible because other ships would not clear the immediate area. As a result, the UK has withdrawn.

The customary practice in air accident investigations is for the country of registry of the aircraft involved, and the country of manufacture, to take responsibility. In the case of the Air India crash, the Indian Government has final authority and originally asked the UK to help to find the beacon.

No one, however, seems to be clear as to who asked the other countries to participate.

Although the UK now has no part in the search, the facilities of the Accidents Investigation Branch will still be available to help to analyse the the flight recorder or any wreckage if a formal request is made.

The UK's bill for its role in the search, about £100,000, will be sent to the Indian Government.

● Iberia, the Spanish flag airline, yesterday denied press reports that there would be a disruption of holiday flights from the UK to Spain as a result of a dispute over flights from London to Madrid.

The UK Secretary for Transport had proposed a cut from 14 to 11 in Iberia's weekly Airbus flights between the cities.

Radioactive waste charge cannot be upheld, says judge

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

TWO OF six charges faced by British Nuclear Fuels (BNFL) arising from the contamination by radioactive waste of beaches near its Sellafield (formerly Windscale) plant in Cumbria in north west England in November 1983 have been withdrawn from further consideration by a jury at Carlisle Crown Court.

After 1½ days of legal submissions in the absence of the jury, Mr Justice Rose said yesterday thet he would in due course direct the jury to return aot guilty verdicts on the two counts.

In the trial, which enters its sixth week today, the state-owned BNFL has pleaded not guilty to two charges under the 1960 radioactive substances Act and three under the 1965 Nuclear Installations Act. The charges relate to the discharge of radioactive material into the Irish Sea. The company has pleaded guilty to a charge of failing to keep adequate records.

The two charges withdrawn yesterday were:

● Allowing highly radioactive material to enter a transfer pipe to a sea discharge pipeline without ensuring "so far as was reasonably practicable" that there was adequate means of preventing it having to be flushed to sea if it became lodged in the transfer pipe;

● Failing to keep on-site adequate records of the amount of all radioactive material kept, stored or accumulated.

The judge said that the first of the two charges was brought under the 1965 Act, but BNFL was anthorised under the 1960 Act to discharge a certain amount of radioactivity to sea in any event.

"I have taken the view that on offence under the 1965 Act cannot properly be sustained in relation to this particular part of what went on." As regards keeping records, the judge considered that although the words "kept, stored or accumulated" covered storage over a substantial period of time, they were not apt to cover the kind of transitory passage of radioactivity through the system involved in the case.

Mr Justice Rose told the jury: "Whatever technical arguments are open to the prosecution under those counts this case essentially is about what happened off the site as a result of the discharge and whether proper records were kept."

He said the jury had to consider the reasonableness of the discharge to sea, the warning or lack of warning given by BNFL and the adequacy or otherwise of the records kept in relation to that discharge.

The company has pleaded not guilty to:

● Discharging highly radioactive matter and liquids into the sea "to such amount and at such a rate that radiation exposure . . . was not as low as was reasonably achievable."

● Discharging highly radioactive matter and liquids to sea and failing to ensure "that any person in the vicinity of the end of the discharge pipe or using adjacent waters or adjacent beaches" was informed of the fact and of the resulting increased risk of exposure, "thereby failing to take all reasonable steps to minimise the exposure of persons to radiation."

● Failing to keep records of radioactive material discharged to the sea.

The company has pleaded guilty to a charge of failing to keep adequate records of its operations.

Opening BNFL's defence, Mr Lionel Read, QC, said yesterday that there was no doubt that the company had been at fault. The accident should never have happened.

Growth in computer market slows

GROWTH IN the business personal computer market in Britain has begun to slow but so far the downturn has been much less dramatic than in the U.S, Jason Crisp writes.

Sales of business personal computers are running at about 40 per cent above last year's level, according to latest figures from Romtec, the marketing consultants. This compares with a growth rate last year of about 70 per cent.

Demand rose sharply in March as companies took the opportunity to benefit from changes in capital allowances. However sales in April and May were very weak compared with the generally strong first quarter.

IBM, the U.S. computer giant, now has a clear lead over Applied Computer Techniques, the Birmingham-based company which sells the Apricot. In the first three months, IBM had 31 per cent of the market compared with ACT's 21 per cent. According to Romtec, IBM's share rose sharply to 45 per cent in May partly because it started shipping the first PC-ATs, its most powerful model.

ACT, which is not expected to launch an equivalent to IBM's AT until later this year, has recently unveiled two aggressively priced new computers which should help it recover some lost market share.

Olivetti, the Italian office products group, and Apple, the U.S. personal computer group, are the next largest suppliers to the UK market. Apple has about 10 per cent, mainly because the old IIe computer has continued to do much better than the heavily-promoted Macintosh.

☐ THE INDEPENDENT television companies yesterday took a decision in principle to extend daytime broadcasting in the autumn of 1987.

The aim would be to run an attractive schedule of programmes following on from TV-am, the breakfast channel.

The ITV companies have put forward proposals to the Independeat Broadcasting Authority requesting the transfer of schools broadcasting to Channel 4 in the autumn of 1987 to clear the way for morning general entertainment on ITV all year round.

The transfer of schools programmes to Channel 4 is a necessary first step towards starting full daytime programmes. But it is clear from yesterday's meeting that the ITV companies are moving ahead cautiously.

It is likely that a final decision to go ahead with daytime television will be taken much closer to the potential starting date in the light of prevailing advertising revenues.

☐ NATIONAL NEWSPAPERS last year ncreased their share of British spending on advertising for the first time since 1980. Accounting for 16.7 per cent in 1983, their advance contrasted with modest falls in the proportion spent in television, radio, the regional press, magazines and posters.

Directory publishing was the only other sector to record a rise, according to the Advertising Association.

Business and professional publications held on to their 7.7 per cent share, while the cinema stayed at its all-time low of 0.4 per cent.

☐ MR MICHAEL HESELTINE, the Defence Secretary, spent the day at Devonport naval dockyard in the west of England in an effort to persuade management and unions that their future would best be guaranted by leasing the yard to independent commercial operators.

His visit was part of promised consultations before a decision is made on the future management of the dockyards later this year. Mr Heseltine's intention to lease Devonport and Rosyth, on the east coast of Scotland to commercial management, was outlined by the Defence Ministry in April.

☐ LONDON Stock Exchange has formed a panel comprising representatives of many leading international securities dealers to devise a code of practice for the trading of overseas securities.

The exchange, along with the U.S. Securities and Exchange Commission and the New York Stock Exchange have shown concern about responsibility for regulating the growing amount of integrational dealings in securities.

☐ SAMUEL MONTAGU'S former chairman, Mr Staffan Gadd, was paid £137,000 in connection with his surprise resignation last December.

Mr Gadd left office after four years as chairman after a policy clash with the merchant bank's owners, Midland Bank and Aetna Life, and Casualty, the U.S. insurance group.

☐ SIR KEITH JOSEPH, Education Secretary, warned employers' leaders that they were running out of time on his offer of more cash for teachers' salaries in the next financial year. Teachers in dispute over pay, are seeking an improvement on a 5 per cent offer this year.

☐ BRITISH Rail's plans to resume experiments with driver-only trains were blocked when railwaymen refused to co-operate in Humberside on the east coast of England.

Four expelled by Lloyd's market

BY JOHN MOORE, CITY CORRESPONDENT

THREE FORMER executives of Alexander Howden Group, the insurance broker, including the previous chairman Mr Kenneth Grob, and a Lloyd's underwriting member have been expelled from the Lloyd's insurance market after internal disciplinary proceedings.

Lloyd's yesterday announced that exclusioa penalties had been confirmed against Mr Grob, Mr Ronald Comery and Mr Jack Carpenter (two former Howden executives). In addition, Mr Mario Benbassat, a former managing director of the Banque du Rhone et de la Tamise, the Swiss bank, who is a Lloyd's underwriting member, has been expelled.

Mr Ian Posgate, the former leading underwriter at Alexander Howden, was recommended for expulsion by a Lloyd's disciplinary committee but his sentence was reduced to six months' suspension from July 8 this year after an appeal.

Other charges against Mr Allan Page, a former Howden financial director, were adjourned indefinitely after the submission of medical evidence.

Mr Groh, Mr Carpenter, Mr Page and Mr Comery faced a total of 23 charges covering allegations that:

● In 1979, the four men and Mr Posgate and Mr Benbassat conspired to buy 10 per cent each of the Banque du Rhone et de la Tamise, the Swiss bank, using money which did not belong to them;

● They conspired to purchase and did purchase 10 per cent each of the Banque du Rhone from a Bermudian subsidiary of Alexander Howden Group and that they did so secretly with funds derived directly or indirectly from Lloyd's insurance syndicates of which Mr Posgate was the underwriter.

● They dishonestly capitalised Southern International Re Company SA (SIR), a Panamanian corporation, with misappropriated funds and then used SIR to fund the acquisition of their shares in Banque du Rhone, to provide personal benefits to one or more of them and to procure the falsification of Alexander Howden Group accounts;

● Various personal benefits from SIR were secretly conferred on Mr Grob and Mr Posgate;

● To the knowledge of the four men, Mr Posgate was improperly and secretly given or lent, various valuable works of art belonging to Alexander Howden Group:

● There was "window dressing" of the accounts of Alexander Howden Group, involving the dishonest falsification of accounts, the alleged purpose being the deception of shareholders, directors, auditors and regulatory authorities.

In a 265-page report on the disciplinary proceedings, Lloyd's details a series of complex business deals set up by Mr Grob and Mr Comery.

The disciplinary committee charged that Mr Groh, Mr Comery and Mr Carpenter, together with Mr Benbassat and Mr Posgate, were members of a conspiracy to purchase the Banque du Rhone from the Alexander Howden Group secretly "without cost to the conspirators, with funds derived directly or indirectly from Lloyd's syndicates of which Mr Posgate was the underwriter." It was alleged that these objects were dishonestly achieved.

Lloyd's established that the former Howden executives and Mr Benbassat had, by 1982, purchased the Banque du Rhone from Alexander Howden Group and became the beneficial owners. The purchase agreement provided that the price for a 51 per cent holding would be paid in three instalments with an optioa later to acquire the remaining 49 per cent.

Money due to Alexander Howden for the purchase of the bank was routed through five Panamanian companies each paying $1.15m to Alexander Howden Group. These companies were owned or controlled by five Liechtenstein trusts of which the five were beneficial owners and in effective control.

The trusts were labelled with exotic names. Mr Grob's trust was called "Bloomers"; Mr Comery's "Blissful"; Mr Page's "Karoli"; Mr Carpenter's "Skyair"; and Mr Posgate's "Harvey".

The disciplinary committee says that the payments made by the Panamanian companies were all funded from money ultimately directly traceable back to premiums paid by Alexander Howden Group companies on policies written by SNA Re (Bermuda), whose underwriting was arranged and controlled by Mr Carpenter.

The policies were designed as a means of transferring funds into a bank account at the Banque du Rhone controlled by Mr Grob, Mr Comery, Mr Carpenter and Mr Page.

The remaining 49 per cent of the Banque du Rhone was purchased in 1981. The disciplinary committee found that Mr Grob's and Mr Comery's conduct in financing the purchase of their shares in the Banque du Rhone was discreditable to them as underwriting members of Lloyd's.

The Lloyd's committee did not find Mr Posgate's part in the coaspiracy proved beyond reasonable doubt. But it did find that Mr Posgate was in breach of his fiduciary duty to Alexander Howden and his underwriting members in failing to disclose his interest in the Banque du Rhone and the interests of the four other Howden executives.

The committee found that Mr Posgate realised that the gift of the 10 per cent interest in the Swiss bank was to influence his underwriting judgment. The committee found him guilty of discreditable conduct.

The disciplinary committee studied allegations that Mr Grob, Mr Carpenter, Mr Comery and Mr Page acquired SIR, a Panamanian company, using other people's money.

The disciplinary committee found that four Panamanian companies, controlled by the four men through trusts, provided SIR share capital of $1m, which was later increased to $3m. The initial amount comprised of money from profit policies written by Sphere & Drake and Capital Marine, part of the Howden group, and quota share reinsurances written by Lloyd's insurance syndicates 126-129, which were managed by Howden intrests.

The money was routed through Alexander Howden Insurance Brokers and Banque du Rhone to the four Panamanian companies and then on to SIR.

It was also alleged that Mr Grob was a party to Alexander Howden Group providing to Mr Posgate on loan, or by way of gift, five works of art with the intent of influencing his judgment as an underwriter of the Lloyd's syndicates managed by Howden.

The committee dismissed the charges relating to four paintings. But in connection with a fifth, a Pissarro, the committee found that Mr Groh did not disclose the gift to directors, shareholders or auditors of the Howden group or to the underwriting members on the syndicates.

Another charge against Mr Grob related to the falsification of accounts. It was alleged that Mr Grob and others transferred funds from one company to another in order to falsify the accounts of Alexander Howden Group.

In 1980, Drake Insurance Company of New York (subsequently renamed Atlanta), a subsidiary of Alexander Howden Group, was estimated to have suffered an $8.5m loss caused by the failure of North American Dealer Services to pay premiums on vehicle warranties.

Money was routed from Capital Marine, another Howden company, to Atlanta through a reinsurance programme and a debenture. The disciplinary committee says that this was designed to deceive the U.S. regulatory authorities, the directors, shareholders and auditors of Howden and the public.

In doing so, says the committee, "the accounts were deliberately and materially mis-stated." The committee found thet, although Mr Groh was not motivated by direct personal gain, he did stand to gain indirectly as a major shareholder in Howden and therefore acted dishonestly.

The committee studied evidence that "support policies and claims" were used within the group as a means of shuffling figures to ensure that the results of the group were shown as favourably as possible. Mr Grob, concluded the committee, acted dishonestly in this respect.

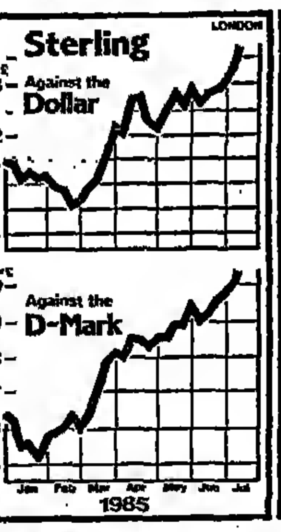
Lloyd's said that the charges against Mr Comery were in identical terms to those against Mr Grob. Verdicts of guilty were recorded by the disciplinary committee on seven of the eight charges against Mr Grob and Mr Comery.

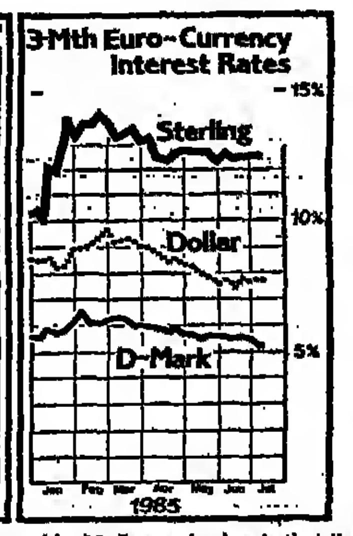
Mr Benbassat was found guilty of three charges in connection with his part in the affair, including a charge that he was a party to the conspiracy for the former Howden executives to buy shares in the Banque du Rhone.

A total of eight charges were brought against Mr Carpenter, covering in general terms the same allegations as those against Mr Grob and Mr Comery. Mr Carpenter indicated that he would plead guilty to the two most serious charges and accepted that expulsion was the most appropriate penalty.

Caution is the watchword after conflicting monetary signals

BY PHILIP STEPHENS





THE MESSAGE from yesterday's money supply figures was that British interest rates look set to remain among the highest in the industrialised world; from the foreign exchange markets it was that there may be scope for a small cut.

The 2 per cent rise in sterling M3, the broad monetary measure, – at the worst end of London market expectations and taking its annual growth rate over the last three months to 23.5 per cent – was promptly followed by another surge in the pound.

The logic of the currency markets was that, whatever the distortions caused by the recent Abbey Life share issue, the Government would not risk a cut in interest rates while sterling M3 was so hopelessly outside its 5 to 9 per cent official target range.

The conclusion was that investors in UK markets could continue to rely on both high real interest rates and, if the dollar continues to decline, a handsome exchange rate gain.

Financial markets, however, are full of ironies, and the pound's response to the money supply figures could well reinforce the view of the authorities that sterling M3 should be downgraded as a guide to interest rate policy.

There must be at least a chance that if the pound continues to climb – and it is already at its highest for nearly two years – the authorities will sanction a ½ point cut in base rates.

Economists such as Malcolm Roberts of stockbroker Laing & Cruickshank were arguing last night that the obvious distortions to sterling M3 over the past few months now provided a golden opportunity for the authorities to effectively abandon this measure.

Both the exchange rate and the narrow money supply measure Mo are pointing to firm monetary conditions, and the Government's policies have successfully contained inflationary expectations, be said.

That view is likely to strike a chord with at least some senior officials at the Treasury who have long regretted the choice of sterling M3 as a formal target.

The Confederation of British Industry (CBI), which has been waging a war of words with the Treasury over interest rates, neatly summarised the apparent contradictions in present monetary policy in its statement earlier this week.

"The Chancellor seems to be using Mo when he wants to demonstrate the success of monetary policy and sterling M3 when he wants to sound the alarm," it said.

The Bank of England has tacitly acknowledged in recent weeks thet the 5 to 9 per cent target range for sterling M3 may be too tight because of a structural shift in the demand for money.

There may also be some unease in the Treasury over the pace of the pound's recent rise. Mr Nigel Lawson, the Chancellor of the Exchequer, wants a strong pound but not necessarily one that is appreciating by the day.

That said, however, the message from the authorities yesterday seemed to be thet caution remains the watchword. The Bank appears to believe that while sterling M3 and the exchange rate are giving conflicting signals the safest course is to do nothing.

It takes the view that while sterling strength is signalling a strong improvement in the inflation outlook, the growth of credit demand and rising unit wage costs are not so auspicious.

So even a renewed surge in the pound's valae – triggered perhaps by further fall in the dollar's value – may not send UK interest rates significantly lower.

The Treasury again made it clear yesterday that the CBI's weekend demand for an immediate cut in interest rates is completely unacceptable. Mr Lawson's view is that the industrialists' are less interested in lower interest rates than in a lower exchange rate.

The pound's appreciation may be damaging Britain's competitiveness, but the focus of government policy is on the inflation rate.

The Chancellor and his Treasury forecasters have staked their reputation on the annual rise in retail prices coming down from 7 to 5 per cent by the end of the year. Part of that reduction should be almost automatic in the months after August when the latest rises in mortgage rates drop out of the year-on-year comparision of the retail price index.

The concern, however, is that unless the downward trend is seen to be continuous the recent pickup in inflation could feed through to the 1985-86 pay round which starts in the autumn.

A strong pound should deter companies from passing on high pay awards in the form of higher prices, and also hold down prices of imported raw materials.

The authorities also cannot afford to take the risk of being seen to push borrowing rates down aggressively, there is always a chance that oil prices will weaken further – potentially disastrous for the pound if it does not have the shield of high interest rates.

The message thea is the one that Mr Lawson and Mrs Thatcher have been hammering home at every opportunity. Interest rates will be kept high enough to cut inflation

Victors at the management game

BY MICHAEL DIXON

THREE MANAGERS from Rank Xerox and Shell UK won the £2,000 UK national management championship in London yesterday by a narrow margin over their nearest rivals.

Teams of contestants had equivalent sets of accounts and market reports for imaginary companies and then had to make a number of decisions concerning the businesses. A computer programmed with an economic model analysed the decisions and fed back a new set of accounts. After about six rounds the team with the biggest profit won.

Mr Paul Webb, of Rank Xerox in Aylesbury, Buckinghamshire, and Mr Geoff Brown and Mr Doug Emerson, of the Shell computer center near Manchester, managed their "paper" consumer-durable company to an £11.39m profit in the finals of the competition sponsored by the Financial Times, ICL and the Institute of Chartered Accountants in England and Wales. The Confederation of British Industry (CBI) and the Institute of Directors were associate sponsors.

Second, only £88,000 behind, came Mr Jim Coakes, of Owl Computer in Tring, Hertfordshire, Mr John Chappell, of Rank Xerox in London, and Mr Neil Tomkin, of Lombard Central in the City of London. Their real-money prize was £1,000.

Both top-placed teams had far more experience of management competitions than the other two finalists. Mr Webb has won five UK and two European titles, and Mr Brown four UK and one European. Mr Chappell holds four UK and two European medals, and Mr Tomkin is also a previous UK champion.

Third prize was won by five 18-year-olds from Highams Park senior comprehensive school

UK NEWS

BP chief says oil price collapse would trigger crisis

IT WOULD BE "exceedingly foolish" to think that the shakeout in the world oil industry was over, Mr Robert Horton, managing director of British Petroleum, said yesterday.

Speaking in London at a Financial Times oil industry developments conference, he said it was "axiomatic that a high-value politically sensitive extractive industry such as ours will cycle between famine and feast. The dynamics of our industry dictate that any equilibrium briefly reached contains within it the seeds of the next crisis."

Mr Horton reiterated the oil industry view that, despite the arguments of some consumer governments, a further sustained fall in oil prices would not be beneficial.

"The fact remains that any further significant loss of revenue by the populous oil producers like Mexico, Nigeria or Venezuela would have disastrous effects on their economies, not to mention several hundred U.S. banks.

"A collapse in the oil price would trigger a major financial crisis, requiring the Federal Reserve to launch a lifeboat the size of the QE 2," he said.

The BP managing director also attacked the trend of mergers and stock buy-ins among the big U.S. oil companies. He pointed out thet the impetus for these moves had been the large discrepancy between stock market values and perceived underlying worth. But, he said, "the method of calculating the value of oil in the ground, and indeed the whole U.S. Securities and Exchange Commission formula for reserves, is highly open to question."

The European Commission was over-estimating the future European oil requirements and underestimating the pressure to import products from Eastern Europe and the Gulf, said Dr Frank Schmidt, chief executive of Mineralölwirtschaftsverband, the West German oil trade association.

In the EEC oil refining capacity had dwindled by a third from a peak of 844m tonnes to 585m tonnes. But European refineries were still operating at only 60 to 70 per cent of capacity, he said.

The European Commission had said that only a small reduction of 35m tonnes seemed necessary to reach an appropriate level of capacity. "I do not share this optimism," said Dr Schmidt. "We have no option but to go on reducing European refining capacity by more than 100m tonnes a year."

He said Japan had import quotas for gasoline and in the U.S. there had been loud calls for import restrictions. International products such as those from the Gulf could become concentrated on European markets. But the European Community "cannot afford to become a dumping ground for the world's oil products," he said. "For the sake of security, the bulk of European market supplies should emanate from Europe's own refineries."

Mr Robert Evans, chief executive of British Gas, which is to be privatised by the UK Government, said: "It is vital that the British Gas Corporation continues to participate fully in the search for additional hydrocarbon reserves on the UK continental shelf."

Mr Evans said that when British Gas was in the private sector, "we do want to be treated in the same way as any other major operator."

The Organisation of Petroleum Exporting Countries (Opec) would continue to support oil prices by limiting production but the Norwegian Government had no intention of similarly limiting its own output, said Professor Arild Rødland, the Deputy Energy Minister of Norway.

Dr Rødland said: "By watching how successfully Opec has met the decreasing demand over the last years, I do not see a collapse of the oil market as very likely. These countries will continue to play this role simply because it serves their long-term interests."

In Norway companies, not government, were responsible for the marketing and pricing of oil, he said. Any reduction of Norway's production would have considerable effects on companies' return on investment and "such reductions can therefore hardly be expected."

FINANCIAL TIMES
Oil Industry Developments
CONFERENCE

Conference report by Dominic Lawson

The oil market was excessively enthusiastic in 1980-81 and was now in a state of over-depression, said Mr Tony Craven Walker, managing director of Charterhouse Petroleum, one of the UK's fastest growing oil companies. "Those who live by consensus view will always get it wrong."

Mr Craven Walker said U.S. oil companies which had taken on restrictive debt burdens to avoid takeover had suddenly cut their North Sea budgets, much to the annoyance of their British partners.

He added that such U.S. companies were likely to sell some of their North Sea assets and British independent oil companies were the "natural purchasers."

The UK Government should do more to give the UK's independent oil companies the chance to operate in the North Sea, he said. Only three wholly UK companies currently operate North Sea blocks – BP, Britoil and British Gas.

"If the UK really believes that the development of its technical abilities is important, we ought to see more blocks coming under British operatorship," said Charterhouse's managing director.

State oil companies were a disappearing species but should not be hounded like rats, said Pierre Des Prairies, chairman of the Institut Français du Pétrole.

M Des Prairies, a former executive director of Elf, the French state-controlled oil company, insisted that state oil companies had a useful role to perform. He conceded that there was no state oil company in the U.S. but argued, "The U.S. is a special case. It is a mistake to think that in this field what is good for the U.S. is good for the rest of the world."

On the same theme, Sir Leslie Murphy, chairman of Petroleum Economics, said that the oil industry could not be left entirely to the uncertain results of unrestricted market forces.

He pointed out that, even though the UK Government was abolishing the British National Oil Corporation, it was giving a new corporation – the Oil and Pipelines Agency – the right to acquire up to 51 per cent of North Sea crude at market prices.

"So the British Government accepts that government input in the affairs of the oil industry is essential," he said.

Robert Horton: 'a cycle of feast and famine'

Mr Henry Rowson, director of Trichem Consultants, said that the petrochemical industry was dragging itself slowly back to health. It had further to go and some more tough decisions were needed, particularly in Western Europe. But for those who could last out the present problems, the 1990s should be a much more satisfactory period in which to be petrochemical producers.

Mr Bart Collins, editor of Petroleum Times, also spoke. The conference chairman was Mr John Raisman, former chairman of Shell UK.

Gold Fields Group

JUNE QUARTERLIES

All companies mentioned are incorporated in the Republic of South Africa

DRIEFONTEIN CONSOLIDATED LIMITED

ISSUED CAPITAL: 102,000,000 shares of R1 each, fully paid.

	Qtr. ended 30/6/1985	Qtr. ended 31/3/1985	Year ended 30/6/1985
OPERATING RESULTS:			
Gold – East Driefontein:			
Ore milled (t)	705,000	705,000	2,820,000
Gold produced (kg)	7,528.0	7,696.0	32,336.0
Yield (g/t)	10.7	11.2	11.5
Price received (R/kg)	20,470	19,586	19,155
Revenue (R/t milled)	218.85	219.83	220.14
Cost (R/t milled)	72.61	63.77	64.56
Profit (R/t milled)	146.24	156.06	155.58
Revenue (R000)	154,286	154,981	620,803
Cost (R000)	51,198	44,969	182,055
Profit (R000)	103,088	110,022	438,748
Gold – West Driefontein:			
Ore milled (t)	720,000	720,000	2,880,000
Gold produced (kg)	9,023.9	9,216.0	37,334.9
Yield (g/t)	12.5	12.8	13.0
Price received (R/kg)	19,894	19,772	19,098
Revenue (R/t milled)	251.06	253.65	248.12
Cost (R/t milled)	79.94	72.73	73.84
Profit (R/t milled)	171.12	180.92	174.28
Revenue (R000)	180,761	182,628	714,592
Cost (R000)	57,554	52,366	212,678
Profit (R000)	123,207	130,262	501,914
Uranium Oxide:			
Pulp treated (t)	177,620	179,880	840,115
Oxide produced (kg)	21,254	20,507	109,637
Yield (kg/t)	0.120	0.114	0.131
FINANCIAL RESULTS (R000):			
Working profit: Gold	226,303	240,284	940,662
Profit on sale of Uranium Oxide and Sulphuric Acid	1,796	2,101	7,292
Net tribute royalties and sundry mining revenue	(1,197)	(1,130)	(3,408)
Net mining revenue	226,902	241,255	944,546
Net non-mining revenue (group)	33,259	33,430	111,360
Profit before tax and State's share of profit	260,161	274,685	1,055,906
Tax and State's share of profit	137,954	163,531	623,476
Profit after tax and State's share of profit	122,207	111,154	432,430
Capital expenditure	49,947	29,159	129,556
Dividend	198,900	—	316,200
Loan Levy refund (1978)	—	35,207	35,207

CAPITAL EXPENDITURE: The unexpended balance of authorised capital expenditure at 30 June 1985 was R497.3 million.

DIVIDEND: A dividend (No. 24) of 195 cents (76.310904p) per share was declared on 11 June 1985, payable to members on or about 7 August 1985.

SHAFTS:

East Driefontein:

No. 4 Shaft – E: The shaft was sunk 327 metres to a depth of 1,324 metres below collar. The lining of the intermediate pump chamber was completed.

No. 5 Shaft – E: The shaft was equipped to a depth of 1,476 metres below collar.

No. 6 Sub-Vertical Shaft – E: The lining of the dome and the upper portion of the headgear is continuing. The casting of the foundation for the stage winder was completed.

West Driefontein:

No. 8 Tertiary Shaft – W: The shaft was sunk 12 metres to a depth of 512 metres below collar on 26 Level. The cutting and support of 38 Level as well as the development to the rock pass position was completed.

No. 7 Shaft – W: The shaft was sunk 136 metres to a depth of 824 metres below collar. The excavation and support of 2 and 4 Levels was completed.

No. 9 Shaft – W: The shaft was sunk 118 metres to a depth of 236 metres below collar. A cavity was intersected while cover drilling and caused a delay in sinking. Cementation has been completed.

ORE RESERVES AT 30 JUNE 1985: The detailed ore reserves will be published in the annual report. At the prevailing pay limits the reserves are as follows:

East Driefontein: (Pay limit 4.1 g/t)

Classification	Tons (000)	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
Ventersdorp Contact Reef	4,875	174	17.4	3,028
Carbon Leader	2,008	144	10.3	1,483
Main Reef	1,460	146	5.6	818
Total and averages	8,344	160	13.9	2,176

West Driefontein: (Pay limit 5.2 g/t)

Classification	Tons (000)	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
Carbon Leader	2,813	111	22.7	2,520
Ventersdorp Contact Reef	2,248	176	13.3	2,314
Main Reef	1,748	125	7.7	963
North Leader	58	66	9.1	604
Total and averages	6,863	130	15.9	2,026

On behalf of the board
R. A. Plumbridge, C. T. Fenton – Directors

9 July 1985

DOORNFONTEIN GOLD MINING COMPANY LIMITED

ISSUED CAPITAL: 10,000,000 shares of R1 each, fully paid.

	Qtr. ended 30/6/1985	Qtr. ended 31/3/1985	Year ended 30/6/1985
OPERATING RESULTS:			
Gold:			
Ore milled (t)	366,000	366,000	1,464,000
Gold produced (kg)	2,451.8	2,447.7	9,655.4
Yield (g/t)	6.7	6.7	6.6
Price received (R/kg)	20,160	19,880	19,217
Revenue (R/t milled)	135.32	133.22	126.98
Cost (R/t milled)	84.56	78.28	79.79
Profit (R/t milled)	50.76	54.94	47.19
Revenue (R000)	49,526	48,759	185,903
Cost (R000)	30,948	28,652	116,820
Profit (R000)	18,578	20,107	69,083
FINANCIAL RESULTS (R000)			
Working profit: Gold	18,578	20,107	69,083
Net sundry revenue	4,015	3,483	13,100
Profit before tax and State's share of profit	22,593	23,590	82,183
Tax and State's share of profit	4,294	8,093	15,165
Profit after tax and State's share of profit	18,299	15,497	67,018
Capital expenditure	12,024	7,068	43,953
Dividend	14,000	—	22,000
Loan levy refund (1978)	—	1,279	1,279

CAPITAL EXPENDITURE: The unexpended balance of authorised capital expenditure at 30 June 1985 was R103.1 million.

DIVIDEND: A dividend (No. 57) of 140 cents (54.787316p) per share was declared on 11 June 1985, payable to members on or about 7 August 1985.

NO. 3 SUB-VERTICAL SHAFT: The shaft was sunk 101 metres to a depth of 831 metres below collar and 31 and 33 Level stations were cut and lined. The headgear changeover for full scale sinking has been completed.

ORE RESERVES AT 30 JUNE 1985: The detailed ore reserves will be published in the annual report. At the prevailing pay limit of 5.3 grams per ton the reserves are as follows:

Classification	Tons (000)	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
Carbon Leader	2,584	108	10.6	1,145
Main Reef	2,794	116	7.3	847
Total and averages	5,378	112	8.8	997

On behalf of the board
C. T. Fenton, A. H. Munro – Directors

8 July 1985

DEELKRAAL GOLD MINING COMPANY LIMITED

ISSUED CAPITAL: 99,640,000 shares of 20 cents each, fully paid.

	Qtr. ended 30/6/1985	Qtr. ended 31/3/1985	Year ended 30/6/1985
OPERATING RESULTS:			
Gold:			
Ore milled (t)	375,000	375,000	1,479,000
Gold produced (kg)	1,724.9	1,800.0	7,132.5
Yield (g/t)	4.6	4.8	4.8
Price received (R/kg)	20,060	19,666	19,085
Revenue (R/t milled)	92.44	94.66	92.27
Cost (R/t milled)	65.97	63.17	63.88
Profit (R/t milled)	26.47	31.49	28.39
Revenue (R000)	34,664	35,499	136,468
Cost (R000)	24,736	23,690	94,476
Profit (R000)	9,928	11,809	41,992
FINANCIAL RESULTS (R000):			
Working profit: Gold	9,928	11,809	41,992
Recovery under loss of profits insurance	—	995	995
Net sundry revenue	2,874	2,748	9,367
Total Profit	12,802	15,552	52,354
Capital expenditure	7,944	3,646	18,209
Dividend	19,908	—	29,862
Loan levy refund (1978)	—	191	191

CAPITAL EXPENDITURE: The unexpended balance of authorised capital expenditure at 30 June 1985 was R96.3 million.

DIVIDEND: A dividend (No. 6) of 20 cents (7.826759p) per share was declared on 11 June 1985 payable to members on or about 7 August 1985.

NO. 1 SUB-VERTICAL SHAFT: All development associated with Transfer Level was completed and the shaft deepened a further 10 metres to a depth of 930 metres below collar.

ORE RESERVES AT 30 JUNE 1985: The detailed ore reserves will be published in the annual report. At the prevailing pay limit of 3.9 grams per ton the reserves are as follows:

Classification	Tons (000)	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
Deelkraal Reef	892	189	4.7	888
Ventersdorp Contact Reef	3,650	156	6.8	1,061
Total and averages	4,542	162	6.4	1,037

On behalf of the board
C. T. Fenton, A. H. Munro – Directors

9 July 1985

KLOOF GOLD MINING COMPANY LIMITED

ISSUED CAPITAL: 30,240,000 shares of R1 each, fully paid.

	Qtr. ended 30/6/1985	Qtr. ended 31/3/1985	Year ended 30/6/1985
OPERATING RESULTS:			
Gold:			
Ore milled (t)	540,000	540,000	2,130,000
Gold produced (kg)	7,992.0	8,100.0	32,402.0
Yield (g/t)	14.8	15.0	15.2
Price received (R/kg)	20,260	19,929	19,257
Revenue (R/t milled)	300.57	299.92	293.72
Cost (R/t milled)	88.35	78.32	82.64
Profit (R/t milled)	212.22	221.60	211.08
Revenue (R000)	162,310	161,957	625,631
Cost (R000)	47,711	42,293	176,031
Profit (R000)	114,599	119,664	449,600
FINANCIAL RESULTS (R000):			
Working profit: Gold	114,599	119,664	449,600
Recovery under loss of profits insurance	—	—	94
Net sundry revenue	12,944	13,783	44,796
Profit before tax and State's share of profit	127,543	133,447	494,490
Tax and State's share of profit	69,730	75,868	277,641
Profit after tax and State's share of profit	57,813	57,579	216,849
Capital expenditure	24,763	23,248	89,942
Dividend	75,600	—	123,984
Loan levy refund (1978)	—	3,440	3,440

PROPOSED EXTENSION TO MINING LEASE AREA – LEEUDOORN DIVISION: Full details regarding the establishment of the proposed Leeudoorn Division were published in the press on 4 June 1985. Certain proposals in this connection will be put to members in general meeting, notice of which will be contained in a circular to be issued to members shortly.

CAPITAL EXPENDITURE: The unexpended balance of authorised capital expenditure at 30 June 1985 was R663.8 million.

DIVIDEND: A dividend (No. 31) of 250 cents (97.834482p) per share was declared on 11 June 1985, payable to members on or about 7 August 1985.

SHAFTS:

No. 3 Sub-Vertical Shaft: The shaft has been commissioned.

No. 4 Shaft: The shaft was sunk 129 metres to a depth of 1,001 metres below collar and the intermediate pump chamber station was established.

No. 5A Auxiliary Shaft. The pre-drilled raise-bored hole has been sliped to a depth of 140 metres below collar on 23 Level, and 25 Level station has been established.

No. 5B Auxiliary Shaft. Sinking operations have been completed and the shaft is being prepared for the installation of the steelwork.

No. 5 Shaft (Proposed Leeudoorn No. 1 Shaft): Site preparation commenced.

No. 5 Ventilation Shaft (Proposed Leeudoorn No. 1 Ventilation Shaft): The presink was completed and full scale sinking commenced. The present depth of the shaft is 120 metres below collar.

ORE RESERVES AT 30 JUNE 1985: The detailed ore reserves will be published in the annual report. At the prevailing pay limit of 4.9 grams per ton the reserves are as follows:

Classification	Tons (000)	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
Ventersdorp Contact Reef	5,316	149	18.7	2,786
Kloof Reef	668	184	6.8	1,251
Libanon Reef	125	174	12.2	2,123
Total and averages	6,109	153	17.3	2,647

On behalf of the board
C. T. Fenton, A. H. Munro – Directors

9 July 1985

VLAKFONTEIN GOLD MINING COMPANY LIMITED

ISSUED CAPITAL: 6,000,000 shares of 35 cents each, fully paid.

	Qtr. ended 30/6/1985	Qtr. ended 31/3/1985	Year ended 30/6/1985
OPERATING RESULTS:			
Gold.			
Ore milled:			
from surface dumps (t)	57,369	56,885	233,102
from outside sources (t)	152,631	153,115	606,893
total milled (t)	210,000	210,000	840,000
Gold produced (kg)	237.8	252.0	1,042.8
Yield (g/t)	1.1	1.2	1.2
Price received (R/kg)	19,954	19,915	19,284
Revenue (R/t milled)	22.66	23.98	24.01
Working cost (R/t milled)	14.88	13.69	13.63
Rock purchased (R/t milled)	5.06	4.57	4.99
Profit (R/t milled)	2.72	5.72	5.39
Revenue (R000)	4,759	5,036	20,166
Working cost (R000)	3,124	2,874	11,445
Rock purchased (R000)	1,064	960	4,191
Profit (R000)	571	1,202	4,530
FINANCIAL RESULTS (R000):			
Working profit: Gold	571	1,202	4,530
Net sundry revenue	692	588	2,460
Profit before tax	1,263	1,790	6,990
Tax:			
Formula tax	422	808	3,225
Non-mining tax	198	197	691
Profit after tax	643	785	3,074
Net surface capital expenditure	(2)	(10)	(7)
Dividend-Capital repayment	2,400	—	3,300
Loan levy refund (1978)	—	257	257

CAPITAL EXPENDITURE: There were no capital expenditure commitments at 30 June 1985.

DIVIDEND: A dividend (No. 79) of 40 cents (15.653519p) per share was declared on 11 June 1985, payable to members on or about 7 August 1985.

On behalf of the board
A. H. Munro, C. T. Fenton – Directors

9 July 1985

LIBANON GOLD MINING COMPANY LIMITED

ISSUED CAPITAL: 7,937,300 shares of R1 each, fully paid

	Qtr. ended 30/6/1985	Qtr. ended 31/3/1985	Year ended 30/6/1985
OPERATING RESULTS:			
Gold:			
Ore milled (t)	426,000	420,000	1,686,000
Gold produced (kg)	2,215.3	2,233.6	8,956.9
Yield (g/t)	5.2	5.3	5.3
Price received (R/kg)	20,019	20,125	19,233
Revenue (R/t milled)	104.29	107.31	102.42
Cost (R/t milled)	64.94	60.61	61.52
Profit (R/t milled)	39.35	46.70	40.90
Revenue (R000)	44,429	45,070	172,674
Cost (R000)	27,666	25,454	103,722
Profit (R000)	16,763	19,616	68,952
FINANCIAL RESULTS (R000):			
Working profit: Gold	16,763	19,616	68,952
Net sundry revenue	4,254	4,219	14,413
Profit before tax and State's share of profit	21,017	23,835	83,365
Tax and State's share of profit	7,280	11,219	35,667
Profit after tax and State's share of profit	13,737	12,616	47,698
Capital expenditure	6,757	4,379	20,433
Dividend	16,668	—	26,193
Loan levy refund (1978)	—	2,575	2,575

CAPITAL EXPENDITURE: The unexpended balance of authorised capital expenditure at 30 June 1985 was R56.8 million.

DIVIDEND: A dividend (No. 69) of 210 cents (82.180973p) per share was declared on 11 June 1985 payable to members on or about 7 August 1985.

ORE RESERVES AT 30 JUNE 1985: The detailed ore reserves will be published in the annual report. At the prevailing pay limit of 3.6 grams per ton the reserves are as follows:

Classification	Tons (000)	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
Ventersdorp Contact Reef	1,853	150	7.8	1,170
Main Reef	4,137	146	5.9	818
Kloof Reef	616	227	5.1	1,158
Libanon Reef	53	148	9.9	1,317
Total and averages	6,659	152	9.2	942

On behalf of the board
A. H. Munro, C. T. Fenton – Directors

9 July 1985

VENTERSPOST GOLD MINING COMPANY LIMITED

ISSUED CAPITAL: 5,050,000 shares of R1 each, fully paid.

	Qtr. ended 30/6/1985	Qtr. ended 31/3/1985	Year ended 30/6/1985
OPERATING RESULTS:			
Gold:			
Ore milled (t)	390,000	390,000	1,513,000
Gold produced (kg)	1,521.0	1,579.9	6,222.2
Yield (g/t)	3.9	4.0	4.1
Price received (R/kg)	20,285	19,847	19,159
Revenue (R/t milled)	79.25	80.57	78.99
Cost (R/t milled)	72.29	66.19	68.84
Profit (R/t milled)	6.96	14.38	10.15
Revenue (R000)	30,909	31,421	119,506
Cost (R000)	28,195	25,813	104,156
Profit (R000)	2,714	5,608	15,350
FINANCIAL RESULTS (R000):			
Working profit: Gold	2,714	5,608	15,350
Recovery under loss of profits insurance	—	1,200	1,246
Net sundry revenue	2,229	1,839	9,642
Profit before tax	4,943	8,647	23,238
Tax	1,516	2,849	5,913
Profit after tax	3,427	5,799	17,325
Capital expenditure	2,424	627	5,474
Dividend	8,333	—	12,120
Loan levy refund (1978)	—	55	55

TAX: The formula tax charge for the quarter takes the total for the year to the level payable on the basis of the standard rather than the State Aid formula. The latter formula applied prior to the 1985 amendment of the Income Tax Act.

CAPITAL EXPENDITURE: The unexpended balance of authorised capital expenditure at 30 June 1985 was R16.9 million.

DIVIDEND: A dividend (No. 90) of 165 cents (64.570765p) per share was declared on 11 June 1985, payable to members on or about 7 August 1985.

ORE RESERVES AT 30 JUNE 1985: The detailed ore reserves will be published in the annual report. At the prevailing pay limit of 4.2 grams per ton the reserves are as follows:

Classification	Tons (000)	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
Main Reef	7,256	144	5.2	748
Ventersdorp Contact Reef	2,341	152	7.8	1,186
Libanon Reef	57	135	13.6	1,836
Total and averages	9,654	145	5.9	856

On behalf of the board
A. H. Munro, C. T. Fenton – Directors

9 July 1985

NOTE: Copies may be obtained from the United Kingdom Registrar: Hill Samuel Registrars Limited, 6 Greencoat Place, London, SW1P 1PL.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Fashion and retailing

Laura Ashley's sassy style

Christopher Parkes on the strategy of the textile company, which plans to go public

MENTION BUREAUCRACY to Bernard Ashley and he almost fizzes with antagonism. The other members of the Laura Ashley group board twitch visibly, waiting for the explosion from their chairman.

BA, as he likes to be known, remembers the 1950s and 1960s, when Civil Service red tape specialists hampered his efforts to get his infant textile printing and garment making business off the kitchen table and into modern factories.

While he was encouraged by ministers and MPs, he says he found himself blocked at every turn when he came face to face with the administrators. "We always had to fight to get grant aid. There was never an air of co-operation or understanding."

Now, however, the worst seems to be over, and he, the board and its advisers are concentrating on the process of stitching together the 20-odd companies in the group for a full Stock Exchange listing early next year. Plans are expected to be unveiled today.

For five years after the war Ashley, now 58, toiled in the City of London. An experience which, he says, taught him much about trust and honesty. "Apart from that, I was bored stiff."

Fascinated by textile printing, he and his wife Laura set up in a Pimlico attic in 1953 printing table mats and scarves, and wholesaling them in buccaneering style around the big stores. Learning engineering as he went along, he developed a continuous printing machine to replace his simple flat-bed silk-screen process. Ever since those early days, his wife's main involvement has been with the design side of the business.

Laura and Bernard Ashley

Inspiration

The factory grew and moved. But it was not until the end of the 1950s, when he and his young family moved to Wales that the company began to gain momentum. London, and life on the fringes of the burgeoning Chelsea set, was too distracting. Swopping white lies about the day's sales in local coffee houses with the likes of young Quant and Conran cut heavily into production time.

"In Wales there was nothing else to do but work," BA recalls.

From its factory in Carno, Powys—group headquarters to this day—the company extended its range. Dresses retailing at £1.50 apiece gave Laura Ashley its first big boost and turnover built quickly to £100,000 a year.

The first proper retail shop, a tiny outlet in Pelham Street, South Kensington, did nothing for nine months after opening in 1967. It became little more than a wholesale depot until inspiration dawned and BA took out 100 poster sites on the London Underground network.

Advertising £6 dresses, the posters acted as a magnet BA recalls: "In just 24 hours the girls rushed in and weekly sales from Pelham Street went from £300 to £3,000 in a month."

Laura Ashley entered a phase of rapid expansion, which is still continuing. The Carno factory sprouted extensions. A new textile plant was set up at Helmond, near Eindhoven in the Netherlands. Factories opened in Machynlleth and the surrounding area, Dublin and Kentucky, in the U.S., the familiar Paris green Laura Ashley logo appeared outside 180 outlets around the world. There will be 225 shops worldwide by the end of this year. The staff roll of five 20 years ago, is now 4,000.

Growth has been particularly dramatic in the last few years. Consolidated sales leaped from £25m to £112m between 1980 and 1984, according to Peter Phillips, the finance director. Last year's pre-tax profits were £14m.

The company's centre of gravity has also moved. Last year almost half its sales were made in the U.S., where sales per square foot are five times higher than the North American average. And while customers worldwide have remained remarkably faithful to the deliberately old-fashioned, romantic style of clothes on offer, about half the group's turnover now comes from furnishings.

Managing director John James, 46, who arrived from Unilever in 1974, and who will head the consolidated group later this year when reorganisation is complete, has lived with the company through its most explosive period of growth.

Flattered to be dubbed "sassy" by an aggressive lady from the Possum Trot teddy bear factory in McKee, Kentucky—which now sews blouses for the U.S. market—he has a strong allegiance to the management style on which the company's success is founded.

For all its sophistication, which includes the latest in computerised shop tills, stock control and distribution, aircraft to keep the board circulating around the empire and a policy of continuous aggressive innovation from the print room up, the company retains an atmosphere of unforced, almost romantic cheerfulness.

Even the most jaundiced outsider would find it difficult to detect a seriously discordant note at any level. The worst moment in three days' visits was the hurried concealment of cigarettes in Helmond as the reformed smoker BA hove into view.

Everyone is on first-name terms. Even the internal telephone directory is printed with first names in alphabetical order. There is only one rank. "Everyone is staff," says BA.

At the moment, while the company is reshaped and prepared for flotation and the coming surge in textile output from new plant in Wales and the Netherlands, members of what ultimately will be the main board spend most of the week flying between operational centres in Wales, Helmond, the Ashleys home base in Brussels and the U.S. They meet in twos and threes, as often as not in the saloon bar of the Aleppo Merchant, the local Carno pub, for discussions over a pint.

Over for a day recently, Peter Revers, president of the U.S. arm, buzzed at the prospects for development of the north American market. He is equally happy describing the heart-stopping blunder made at the outset in 1974 when the company ventured into recession-hit San Francisco in too big a shop, on the wrong site at the wrong time of year, and gravely under-estimated the ferocity of competition in U.S. retailing.

"We were very naive. We tried to do the same as we did in the UK and almost fell flat on our face." Now controlling almost 60 outlets in the U.S., and with more than 20 scheduled to open this year, he rattles off sales figures which soar from $7m in 1980 to about $50m last year.

A recent analysis of 500,000 names on Laura Ashley's U.S. customer list showed that 10 per cent were in the top demographic category—American for super-rich. "We have got the wealthiest stratum of society over there saying "we like it." This means we can extend our range to the Nth degree," he claims.

In the U.S. the company has successfully exploited the appeal of "life style," which leads shoppers to dress themselves, their children and increasingly their homes in a homogenous fashion.

The company's design policy, still carefully controlled by Laura Ashley and number two son, Nick, is one of the few commercial features of the company which have remained unchanged through its development.

The directors guard the heritage with a fierce pride. Revers dives into his brief case and brandishes a tie from a Paris design house. John James takes a hard look. It is almost a copy, but not quite. "We have just jumped all over a company which copied our patterns," offers the genial Phillips. "We always act against pirates."

This is a rare example of inflexibility. For the rest, the business appears to seethe with daily, detailed change. The man at the receiving end, Adam Lofthouse, a recent catch from Courtaulds, and nominated managing director of the product division, extols the effectiveness of the company's vertical integration.

"It's like a ball of string. Pull the end and the whole thing twitches," he says.

Patrolling a Carno textile plant, he shows off a printing machine which has five different designs on one uptake reel. Tucked in the middle there are a few yards of one design, run off to meet an order spawned by an unexpected surge in dress sales in one of the company shops.

Each season starts with a basic series of textile and product designs, but head office can vary output, even according to the weather. A line which fails to sell can be spotted within a week, output adjusted, and supplies earmarked for the sales.

All this is made possible by regular polling of the computerised till network by the central computer in Wales. This tells the management promptly which designs, sizes and prices are selling best. A similar network in the U.S., where Revers scans the previous day's business at breakfast time on his home terminal, helps keep the shop racks filled with best-selling lines from the main distribution centre at Newtown, near Carno.

Alphons Schouten, head of continental retailing, says his main difficulty at the moment is a shortage of transnational marketing staff with the necessary command of languages. With 43 outlets under his control, he is preparing to open a further nine shops and launch a renewed strong push into Europe, which currently accounts for a relatively modest £12m to £15m in annual sales. With France contributing 40 per cent of this, West Germany is the prime target this year. Openings are planned in Hanover, Cologne, Bremen and Essen or Wiesbaden.

Expansion is also still under way in the UK. In the retail division alone, capital expenditure is expected to double this year, raising the current tally of 73 shops to 89.

The company is keeping a careful eye on the activities of the mushrooming Next fashion group, part of Hepworth, which, it suspects, is planning to go into soft furnishings—with more than 30 stores in "Laura Ashley towns."

UK production capacity of printed textiles is also being increased by 50 per cent. A new £8m printing plant is under construction at Newtown—it almost went to the Netherlands before the company won its recent battle for government aid—where it will operate alongside a new £1.5m warehouse.

Some 2,000 people are employed in production in the UK, where Laura Ashley boasts 11 factories supplying most of its outlets and which, it claims, account for 10 per cent of all UK clothes exports to the U.S.

No regrets

Through all of this sails BA, the salty-tongued chairman, a recently-converted "ex-Luddite" who is developing a deep affection for his IBM personal computer as his private affairs are hived off from what will soon cease to be his private company.

Although he admits that he enjoyed running a private corporation, and succeeding despite the bureaucrats and bankers, he will confess to no regrets about the float. "We are not a dynastic family," he says. "And our growth rate was against our holding complete control for ever."

He still travels constantly, often piloting his own aircraft between the many factories and shops and his several homes. The eponymous Laura, so often characterised as the homely woman behind the businessman, travels with him. She scours the world for design ideas. A self-taught designer, she still contributes a home furnishings range every season, and vets all the ideas from the company's design centre in Clapham, south London.

Guardian of the corporate identity, she has little to do with industrial or financial affairs. But she rules supreme when it comes to ensuring that Laura Ashley remains true to its image. "She sits at home with a big stick under her apron," says BA with a wince.

Business courses

Marketing for managers, Welwyn Garden City. August 27-29. Fee: £250. Details from course director, InTech Training Ltd, PO Box No 2, Welwyn Garden City, Herts AL8 7BX. Tel: 07073 20944.

Principles of professional salesmanship, Brussels. August 19-23. Fee: Non-members BFr 70,000; members (AMA/I) BFr 63,000. Details from Management Centre Europe, rue Caroly 15, B-1040 Brussels. Tel: 32/2/516.19.11. Telex: 21.917.

Residential course for corporate planners, Oxford. August 18-23. Fee: £650 plus VAT. Details from Cyril Aydon, Cyril Aydon Associates, The Murroes, Moor Lane, South Newington, Banbury, Oxfordshire. Tel: 0295 720124.

The British Production and Inventory Control Society: Southern England—Open day, London. September 18. Fee (per exhibition stand) £140. Details from Open day co-ordinator, BPICS, 45-47 South Street, Bishop's Stortford, Herts CM23 3AG.

Services development 1985, London. September 24. Fee: £195. Details from Sarah Gleave, KAE Development Limited, KAE House, 7 Arundel Street, London WC2R 3DR. Tel: 01-379 6118.

Making corporate planning effective, Bradford. October 2-4. Fee: SLRP members £345; non-members £370. Details from S M Sanderson, course director, The University of Bradford Management Centre, Heaton Mount, Keighley Road, Bradford, West Yorkshire BD9 4JU. Tel: 0274-42299. Ext 266.

Human resource planning and development, Brussels. September 16-20. Fee: Non-members BFr 74,000; Members AMA/I BFr67,000. Details from Management Centre Europe, rue Caroly 15, B-1040 Brussels. Tel: 32/2/516.19.11. Telex: 21.917.

Intrapreneurship: developing entrepreneurs within your company, San Francisco. September 12. Fee: $385. Details from Caesar L. Penelna, Arthur Young, 277 Park Avenue, New York, NY 10172.

Data protection registration — the practical problems, London. September 18. Fee: £145 plus VAT. Details from Longman Seminars, Vernon House, Sicilian Avenue, London WC1A 2QT. Tel: 01-242 4111.

Commercial negotiation, London. September 2-6. Fee: £1,100. Details from Course Enquiries, External Affairs Department, London Business School, Sussex Place, Regent's Park, London NW1 4SA. Tel: 01-262 5050.

THE ARTS

Television/Godfrey Hodgson

An idea whose time ran out

"Freedom!" shouted Kwame Nkrumah in a most memorable moment in the eleventh of Granada's End of Empire series, and the first to deal with the liberation of Africa from colonial rule. Then, with uncharacteristic hesitancy, the future Redeemer added: "Let us hope for the best!"

It was 1954. The Gold Coast was still three years from emerging as Ghana, the first British colonial territory in Africa to achieve independence. But freedom and hope had already emerged as the twin themes of the movement against colonialism all over Africa.

Since then, in much of Africa, both freedom and hope have been largely betrayed. But Granada's television history does not look forward to the end of the story. The four programmes on the fall of the colonial regime in British Africa confine themselves for the most part to a narrative of the stages of Britain's withdrawal.

That process was painful in proportion as there were white settlers present in the territories that sought independence. In the Gold Coast, where there were valuable British commercial interests but no settlers, Britain could hardly wait to go.

From the moment when an ex-servicemen's demonstration got out of control in 1948, and a British police superintendent took a rifle out of one of his men's hands and fired into the crowd, the British Government was determined to hand over power as soon as it decently could. It is the great merit of Granada's method that we hear the policeman describe what he did, and eminently reasonable he makes it sound. It is like hearing Josef Prinkip reminisce about Sarajevo.

Even in the Gold Coast, that meant abandoning with less than decent haste those who did not want to be ruled by Nkrumah and the mass party he had put together in the coastal provinces. The Ashanti and their ruler, the Ashantehene, and the people of the north under their paramount chiefs would have endorsed the bitter verdict of Nkrumah's southern rival, Joe Appiah, in an interview for this film: "We did not want to sack the British raj in order to substitute a black raj."

A black raj is what they got, and that was the last injustice of colonialism. Because the white men had come knowing nothing and caring less of the history and languages of Africa, they set up political institutions that had little to do with the feelings or interests of African peoples. And when the time came when the cost of keeping their colonies was greater than the return, the colonial powers liquidated their African assets with little thought for the wishes or even the safety of those who had been in their care.

Some of the colonial administrators cared. Some, even, of the settlers did—provided they could keep their farms and their horses, and their status as members of the servant-owning classes. But Whitehall and Westminster, with honourable exceptions, wanted to get the whole painful business of liquidating the empire in Africa over as quickly as possible.

This certainly is the picture that comes across from Granada's history.

It may be that the series' methods distorted its message, for an interesting reason. The last three weeks' programmes have told the story of the end of empire in Ghana, Kenya, and the Central African Federation. This week's programme dealt with Malawi and Zambia, and the denouement of the story in Zimbabwe will come on July 15, in the last programme.

They have done so with the technique that has become the accepted grammar of such television history: a mixture of contemporary newsreel and TV news film with retrospective interview.

There is nothing wrong with that. It is hard to imagine any other way of doing it, and in each of these films there is rich material. But the story is told in the main in the voices of the participants: of the white men who handed over power, or resisted its surrender, and of the black men who were the beneficiaries of the process. Little or nothing is heard of British opinion at home. And yet—such is the paradox of colonialism—those at home who cared least about the outcome had the decisive voice in deciding what would be done.

One of the most moving moments in the series is when an Englishman who was a young district commissioner in Nyasaland in 1959 recalled what it was like to face an angry crowd with a police sergeant and four constables.

Twice he refused to give the order to fire. Then, as the gates were being pushed in, he gave it, and 20 Africans were killed in a few seconds.

"I remember being subjected to a feeling of utter dejection—that my career had come to this, that I could see no further future for myself in the Colonial Service, and for all we stood for and had been working for."

Was Jomo Kenyatta the instigator of Mau Mau killings and intimidation? The white settlers took it for granted, and so too did most of his own Kikuyu people. But the Granada team unearthed two members of the ultra-secret committee who ran Mau Mau, Bildad Kaggia and Fred Kubei, and they say not so. Kenyatta did not even know who the leaders were until they told him.

It is the merit of Granada's television mixture of historical approaches and journalistic techniques that it makes the viewer conscious of both the heroic scale and the appalling price of the struggle for African freedom.

What is missing is the background.

If the British Government was in such a hurry to set its sails to catch the winds of change, after all, it was not because of the cowardice of colonial administrators, or the deviousness of Iain Macleod or Harold Macmillan—"gentlemen who play cards," as Sir Roy Welensky called them in an interview memorable for its bitter contempt. It was because empire was an idea whose time had run out.

It was not just that the British Labour Party was bent on dismantling an empire that had never had much appeal for those in Britain who wanted neither to emigrate to Africa nor to administer it. Tory realism came to the same conclusion.

The most thoughtful of settlers and administrators alike were troubled by moral doubts. Reluctant to kill to prolong a system they privately thought historically obsolete, they confronted African leaders who had no such doubts or scruples.

That is what I found missing from the gospel of Africa according to Granada, and it was surely decisive: the weakness of Britain coincided with an historic shift in the British moral consciousness. The new consensus was that it would not only be expensive and difficult to keep an empire in Africa; it would be wrong.

Having said that, it is good that we have a television company that is prepared to tackle so vast and so important a theme of our recent history with such seriousness and such resources. Those who want to change our television system will have to explain who is going to do work like this for us, and how it will be paid for.

Ian Smith signs UDI in 1965, wached by members of his Cabinet

Onegin/Coliseum

Clement Crisp

With Natalya Makarova making her London debut in *Onegin* on Monday night with Festival Ballet, we were made aware of depths of feeling and understanding that only a Russian can bring to Russian art. It is to the great credit of Cranko's realisation of Pushkin's drama that it can allow this act of revelation—for such it was in Makarova's portrait of Tatyana that we witnessed Pushkin's heroine in blazing life.

There, first, was the dreaming, romantically intense girl, and there the sudden externalising of her feelings in the flare of infatuation for Onegin. With the letter scene came the full flood of emotion as Makarova flung herself ecstatically into Onegin's arms, her dancing at once pure and girlish, yet echoing with the most intense adoration.

Her rejection by Onegin and the subsequent storm of grief as the duel between Lensky and Onegin is precipitated, were drawn with a subtlety that spoke of a supreme theatrical gift — a youthful lightness and clarity of movement had already been darkened by suffering, and the starkness of imagery that comes with Lensky's death had a heart-tearing inevitability.

The mature woman we meet 10 years later, happy in her marriage to Prince Gremin, is caught in the whirlwind meeting with Onegin, and Makarova and Alexander Sombart as Onegin convey every nuance of an impossible love. Bending beneath what seem waves of passion, yet still retaining her integrity, we sensed everything of Tatyana's moral strength, as we did Onegin's desolation of spirit.

It was, from Makarova and Sombart, a joint interpretation of undoubted greatness, wholly expressive, wholly true. On what must seem the more mundane matters of performance, I note that Makarova's dancing, in its dignity as in its technical clarity, is ever beautiful, and that Alexander Sombart is a magnificent partner and an unerringly responsive actor.

The supporting playing from Festival's artists, from Lucia Truglia as Olga and Peter Schaufuss as Lensky, was very fine. But the evening was Makarova's, and Sombart's, and in their reading we know the mystery and splendour of the art of dancing.

Bengal Lancer/Hammersmith

Martin Hoyle

Francis Yeats-Brown was only in his fifties when he died during the last war. His memoirs of the Edwardian Raj belong to an age so remote that it is startling to reflect that he could have lived on until the 1970s.

In some ways he anticipated later attitudes. If his love for and fascination with the subcontinent are predictable, more surprising is his enthusiasm for Hinduism. His quest for spiritual fulfilment is recounted half-humorously, but there can be no doubt that his messmates would have found his frequenting of gurus pretty rum.

Already familiar in an Indian context, Tim Piggot-Smith moves from the machiavellian manipulations of *The Jewel in the Crown* to the anecdotal and blity reminiscences of the pre-Great War Empire that make up this one-man show at the Lyric, Hammersmith. The upper reaches of the Raj were "exclusively peopled with crack shots and cricketers," and there is a terrible temptation to send them up. Mr Piggot-Smith's officers can be languid or bluff, but they are heavily etched in revue style strokes.

Bob Crowley's set, all swathes and swags, conjures up a marquee (shades of his Arden currently chilling the boards at Stratford-upon-Avon) whose tawny floor is scattered with emblems of British ascendancy: a wardrobe-trunk, uniforms, the headless statue of a recumbent sacred cow which serves Mr Piggot-Smith as a mount when enacting polo or pig-sticking.

Inside Mr Piggot-Smith's straight man is a character actor struggling to get out. His Indians are good, unexaggerated and well differentiated. But he overdoes the naive approach of the newly arrived narrator, an impression heightened by a pattern of odd emphases in his lines — he refers to a narrow *gouge* train, changes to be *made*, a funeral pyre being *lit*, as if thumping home a vocal punctuation. He comments on the character rather than identifying with it: phrases like "a rum old do" come out in quotation marks. He lacks the gift to be casual or throwaway.

There are touching moments. The officer's affection for his dogs and horses emerges, as does his ultimate realisation after imprisonment by the Turks that he has never actually been close to humans. A telling episode about a group of Victorian children's graves — Lucy and Georgie, victims of cholera and a snake respectively; and Amelia Jane, aged seven months, seven days and one hour—touches on a whole side of British India generally forgotten. But the evening is like one of those minimally dramatised recitations that would have been all too familiar to the entertainment-hungry Britons whiling away an interminable hot season as they dreamt of home.

Plisetskaya, Platel/Odeon, Paris

Clement Crisp

The Ballet Théâtre Français from Nancy has just ended a Paris season at the Théâtre de l'Odéon. I saw the second, and more traditional of its two programmes, with works by Balanchine and Lifar somewhat circumscribed by the confines of the stage and the use of recorded music, but illuminated by performances which greatly minimised these irritations.

The opening *Night Shadow* suffered most, since neither Balanchine's choreographic patterns nor the interpretations had room to breathe, and the Udolfo-ish mysteries of the action, its Gothic dislocations of normality, were lost as the somnambulist eddied through the night to her doomed meeting with the poet. Nothing in Yury Borodin's prosaic account of the poet suggested that he could rhyme June with moon, and it was the unenviable task of Elisabeth Platel, a guest from the *Opéra*, to create the lyric tension which the ballet must have. In this her first encounter with the role there is promise of a reading to rival that of Nina Vyrubova, who was the sublime justification of the piece in the de Cuevas repertory 30 years ago. Mlle Platel has not yet found Vyrubova's way of seeming as impalpably beautiful as a shaft of moonlight; she is too positive, almost too "awake" for a sleep-walker, though her dancing, with its tremulous *pas de bourrée* and exquisite finesse, is everywhere magnificent.

Two works by Lifar were given with a much surer sense of style, and they served as a reminder that here is a creator whose highly personal and theatrical vision of dance we ignore to our discredit. *Aubade* impresses, as it ever did, by its choreographic energy in telling of Actaeon's fate, punished for loving Diana by being turned into a stag. The allegorical nature of the piece—Poulenc wrote the score at a time when his piano seemed to him as hatefully inevitable as the chase was to Diana—is conveyed by setting the drama on an all-white stage with a Dufy gouache of a chamber orchestra as backcloth. Performances by Patrick Armand and Sylviane Bayard were brilliant, worthy to stand against those by Jeanmaire and Vladimir Skuratov for who the ballet was made. They understand the combination of technical elegance and passion which gives the choreography its momentum, and the final vivid transformation of Actaeon into a stag (hands becoming antlers) did entire justice to the Liferian manner.

So, too, did the revival of *Phèdre* in which Maya Plisetskaya was the focus of this ritual based upon Racine's tragedy. I reported on her interpretation with the Ballet du Rhin last year, during the Lyon dance festival. Seen now in a staging in which Cocteau's designs are restored, albeit the stage itself inhibits certain of the choreography's larger effects, her performance is astonishing, hypnotic.

If she finds little support from her supporting cast, save in Françoise Dubuc's vibrant *Oenone*, Plisetskaya really needs nothing but the vastness of her blood-red chiffon cloak and the black of her robes to frame her power of self-immolation for her public. A *monstre sacré* majestic in beauty, ageless, whatever the record-books say, she sweeps through the action, Phèdre incarnate. Eyes barred with massive lashes, the profile and neck astounding in their linear authority, arms and torso swooning or accusing, points stabbing the ground, she blazes like the sun setting over the Aegean.

And as a last reward for us, the adoring votaries, there are her curtain calls, as bravely choreographed as anything that has gone before. Arm upraised over her russet hair in a series of hieratic gestures from the ballet, then swooping towards us, bending and returning to the motionless pose of the goddess receiving her rightful dues of incense, she is a unique being. The ever-youthful Lifar joins her. The cheers seem endless. It is the stuff of the theatre.

London Symphony/Barbican Hall

Andrew Clements

Just once the City of London Festival had to get under way with Vaughan William's *A London Symphony*. It did so on Monday evening, in the London Symphony Orchestra's concert at the Barbican under Gennadi Rozhdestvensky.

In fact it is not an especially festive work, less celebratory than evocative, and closer to the steel blues and greys of Pissarro's London landscapes than to the vivid musical pictorialism of Eric Coates. There are moments in the symphony when one is reminded more forcibly than anywhere else that Vaughan Williams studied, albeit briefly, with Ravel; the example of *Daphnis and Chloe* surely informs the streams of woodwind figuration in the Epilogue, while Constant Lambert long ago detected Debussy's *La Mer* in its Introduction.

Rozhdestvensky and the LSO managed these impressionist visions very well, but they were possibly less successful with the more extrovert moments, the galumphing bass lines of the first Allegro and the turbulent climaxes, which lacked a degree of immediacy. As a symphonic structure, it seemed more an honourable failure on this occasion than an original reworking of received form, when in a totally idiomatic performance it can be more impressive. Then the eerie scherzo is less conventional and the Lento more relevantly poetic; the finely finished solo woodwind playing here become purely decorative.

Earlier, after an ineffably rowdy account of Shostakovich's *Festival Overture*, the Brahms Violin Concerto had had Oscar Shumsky as soloist. For every passage in which the chording was perfectly crisp, the solo line poised and incisively projected, there were several in which intonation faltered and the forward impulse became wayward. Even at its best the playing lacked a fibrous core; had the technical finish been impeccable from beginning to end one suspected still the result would have remained decorative, and the uninvolved, almost perfunctory accompaniment, indicated that conductor and orchestra had come to that conclusion also.

Who's A Lucky Boy?

Michael Coveney

Exactly 250 years after Hogarth published his eight engravings of *The Rake's Progress*, the Royal Exchange in Manchester has produced a supposedly contemporary version, in eight corresponding scenes, by Alan Price with designs by cartoonist Gerald Scarfe and direction by Braham Murray. It is a wretchedly disappointing affair; unlike Hogarth, the show emits no social, topographical or allegorical resonances, prospering merely, insofar as it prospers at all, as a tepid, crudely masked and costumed pantomime.

Tom Rakewell, a Barnardo's foundling, hits the big time by winning £1m in the "Daily Porno" gambling competition. He establishes "Do Good Productions" (where the reception desk is covered with the Exchange logo, an irony in these circumstances) and is beset by various impecunious trusts including a representative from Feminist Rights for Lesbian Ferrets.

He is guided through the wilderness of Scarfe's uncouth furnishings and ill-fitting costumes by a Bob Fosse-like Fixer (Adrian Dunbar) and is enrolled in a masonic lodge of pin-striped, red-blooded plutocrats by signing an oath of evasion and duplicity with his right hand placed, if you please, on a copy of the Financial Times. This scene, the best in a bad bunch, is dominated by a huge model Gogolian nose which snorts cocaine through a plastic straw.

The link between city finance and the cocaine industry strikes me as more fantastic than genuinely satiric (surely heroin would have been the better bet); as indeed does the final attempt to make a connection between Tom's demise in the madhouse and the rising unemployment figures.

A raggle gaggle of tramps is received by a walking effigy of Mrs Thatcher (complete with one of Scarfe's trademarks, the Concorde nose) and the 5m victim—who just happens to be Tom—is rewarded with another windfall by the "Porno's" proprietor, a cigar-toting Italian refugee the size of a barnyard. Tom rejects the money and sings yet another glutinous love song to the tediously loyal Sarah (Alison Thomas).

Price's music is simply unrecognisable as the work of the composer of *Between Today and Yesterday*, his last good album, let alone of *Andy Capp*, his last collaboration with Braham Murray at this address. It is devoid of his characteristic rhythm and blues, bland and innocuous. Even the title number is a broken-backed echo of "O Lucky Man!," as indeed the entire show is an echo of Lindsay Anderson's picaresque film for the 1970s. The composer's forte is writing strong thumping, vaguely radical songs. Here he has been hopelessly cowed by theatrical demands and the restrained melodic and recitative influence of John Gay.

Like so many artists designing for the stage, Scarfe provides jolly representational excesses without any coherent or theatrical style.

It is all rather messy, as is the confusing emergence of a puritan National Party that sends Tom to gaol for 15 years. Michael Mueller as Tom wanders blankly through the proceedings, singing competently, but cutting an anonymous Everyman figure. There is more venomous animation on the Scarfe-scuffed stage floor than in the out-dated, patchy enterprise it supports.

Madrigals/St. Giles', Cripplegate

Dominic Gill

Every day this first week of the City of London Festival, The Consort of Musicke under Anthony Rooley are giving a different programme of virtuoso Italian madrigals of the early 17th century in five different churches around the City.

As those lucky enough to get tickets will find, there are few more glorious ways to spend a lunchtime. The field Rooley has chosen (roughly bounded by 1580-1650) is as rich as it is abundant: his only problem will have been what to leave out, rather than what to include. The Consort began on Monday with Monteverdi, and with a selection of five madrigals from each of the Fourth and Fifth Books, framing the marvellous *Lamento della Ninfa*.

St. Giles' is small enough, and narrow enough, to give just the right acoustic bloom to six solo voices without jarring or blurring them—and the singers seized the expansive opportunity with relish. I've rarely heard a performance of "Io mi son giovinetta" so wonderfully slow and so sensuously rounded — and similarly "Si, ch'io vorrei morire" which, if sex could ever be explicit in pure music, is perhaps the most explicit piece ever written. Rooley himself picked out harmonic support to the madrigals of the Fifth Book delicately on the chitarrone.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Theatre

July 5–July 11

LONDON

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earth bound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

Richard III (Barbican): Last year's Stratford-upon-Avon production with Antony Sher demonically exciting as Richard in the RSC revival by Bill Alexander. Plays in repertory with Roger Rees as Hamlet and Kenneth Branagh as Henry V. All worth seeing. (628 8795, credit cards 638 8891).

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

Waste (Lyric): Deserved transfer to Shaftesbury Avenue for the RSC's fine Harley Granville play about a politician ruined by sex scandal. Daniel Massey and Judi Dench head John Barton's production. (437 3686).

Breaking the Silence (Mermaid): Another RSC transfer, of Stephen Poliakoff's account of his family's emigration from post-Revolutionary Russia, Alan Howard succeeding Daniel Massey alongside Jenny Agutter. Ingeniously set in an Imperial railway carriage. (236 5568).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, à la Supremes, without the quality of their music. (239 6200).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's touching and funny recollections as a drag queen add up to the best histrionic Sarah Bernhardt role on Broadway today. (944 9450).

WASHINGTON

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

CHICAGO

Six Characters in Search of an Author (Goodman): Robert Brustein brings his acclaimed American Repertory Theatre to Chicago for this Pirandello classic. Ends July 14 (443 3800).

Saleroom/Antony Thorncroft

Before the rot

A chalk drawing by Fuseli of his wife, completed around 1800, sold for £113,400 at Christie's yesterday. It was previously unrecorded. Fuseli drew his wife on many occasions and one critic has seen "her gradual transition from the lovely young wife to a domineering virago." This portrait shows her before the rot had completely set in.

The auction underlined the strength of demand for English drawings and watercolours. It totalled £524,653, with just 5 per cent bought in.

London dealers were heavy buyers. Agnew paid £28,080 for a view by Cozens of Pays de Valais near Geneva; £19,440 for a view of the Grand Canal in Venice by William Callow, dated 1859; and £16,200 for "The North Porch, Salisbury Cathedral" by Turner—it sold for 130 guineas at Christie's 102 years ago.

A long drawing by Ramberg depicting the family of George III viewing at the Royal Academy in 1787 was bought by the dealer R. A. Lee for £23,760, as against a top estimate of £5,000. An album of nonsense drawings by Edward Lear also went far ahead of forecast, selling for £15,120, a not surprising price given his exhibition at the Royal Academy this year. The album contains nine drawings, done during a Christmas visit in 1860.

A portrait by Ruskin of Lily Armstrong, the young girl he befriended and who he described as "the most beautiful creature in face and form I ever saw anywhere" went for £14,040 to Morton Morris, the dealer: it had carried a £6,000 top estimate. Spink bought a watercolour of Lord and Lady Napier's house in Macao, around 1830, for £10,260, while Agnew paid the same sum for "A dragnet at Tenby," a beach scene by Julius Caesar Ibbetson, 1795.

An unusual gold and enamel French fan of the second half of the 19th century sold to a private buyer for £7,150 at Sotheby's yesterday: it shows 18th century bucolic scenes in the style of Boucher. The fan and objects of vertu sale totalled £66,473, with 12.74 per cent unsold.

A German ivory fan of the 18th century, with some damage made £2,640, while an Italian tortoiseshell piqué fan, of about 1700, was just above target at £1,430.

While the salerooms are busy because of the flood of visitors to London, dealers are also reporting record sales. In June, Agnews sold paintings to the value of $8m.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Wednesday July 10 1985

Interest rates and sterling

IN STRICT logic the arguments about the level of public spending and the timing and size of interest rate reductions are somewhat different. The first concerns the amount of the national income people prefer to spend collectively through taxation rather than individually through the market. The second is one of economic strategy.

But the two come together in practice because most of the pressure groups, opposition parties and Conservative MPs in fear of their seats want the Government to move on both fronts simultaneously. They want to inject demand by increased public investment, while using lower interest rates to stimulate private demand and to edge the pound downwards.

This is only the beginning. There is pressure for a more generous attitude to teachers' pay, health service spending, social security transfers and support for numerous individual projects, irrespective of commercial results. The myth that there is something called government which can act as Father Christmas in simultaneously satisfying all these demands has been reborn.

Argument

As it is, government spending has been rising nearly as fast as the national income. If the Chancellor were to take an even slightly tolerant attitude to current demands, public spending could easily take up the whole annual increment of the national income and more.

The more immediate operational issue is the argument between the Chancellor and the CBI about monetary policy. This is being obscured because they both say interest rates when they are really concerned with sterling, and the impact of interest rates upon it.

The CBI economists are worried about the impact of a strong pound on overseas competitiveness. Yet many business leaders are wary about calling openly for sterling depreciation. So the CBI concentrates on the means of a lower interest rate rather than the unmentionable *end* of lower sterling.

The Chancellor, on the other hand, wants a strong currency, which is probably the biggest single influence making for low inflation in any open medium-sized economy. There is not only the direct effect on imported materials and finished product prices. Just as important is the constraint a strong pound puts on the ability of the UK producers to raise prices and thus pass on inflationary pay awards.

But the Chancellor, too, prefers not to give hostages to fortune by stating exchange rate objectives which he may not be able to maintain or may wish to alter. So he too talks about a level of interest rates consistent with falling inflation without mentioning the crucial stage.

In view of the vulnerability of UK inflation to upward pressure and the highly disquieting trend of wage settlements, there is a strong case for erring on the side of high sterling especially when profits have risen sharply overall (despite problems in particular sectors).

It is, however, possible to have too much of a good thing, including a strong pound. The objective of lower inflation has to be balanced against the need to keep the recovery going at a sufficient rate to underpin the still uncertain signs of an employment improvement. While the present growth of nominal demand of over 9 per cent per annum—consisting of 3 to 4 per cent real growth and 5½ per cent underlying inflation—is far from inadequate, a serious setback next year would matter.

The exact level of sterling consistent with non-inflationary growth is not a matter of scientific calculation. Nevertheless a rate of about DM 4 maintained for too long is too high—and unnecessary when the dollar is tending to move below DM 3.

It is reasonable to wait and see the market effects of forthcoming inflation figures as well as Opec developments before going far on interest rates. But the Chancellor should restate his intention to demote erratic and misleading figures for sterling M3 to a strictly subsidiary role in monetary policy-making. Having made the point that inflationary pay awards will not be underwritten, the Government must follow an even-handed policy, ensuring that neither sterling nor the growth of nominal GNP is too high or too low—and looking at prospects for 1986, as well as conditions in 1985.

Indecisiveness in Ottawa

CANADA has been changing the guard with a vengeance. Mr Pierre Trudeau, Prime Minister, except for a short break, since 1968, retired last year. He left the Liberals to fight a hopeless electoral fight and they were duly smashed by Mr Brian Mulroney's Progressive Conservatives.

Last month two of Mr Trudeau's most determined opponents, Mr René Levesque, Premier of Quebec, and Mr Peter Lougheed, Premier of Alberta, announced their retirements in quick succession. For good measure the celebrated Tory "blue machine" that has run the biggest Canadian province, Ontario, since 1943, has collapsed and a Liberal, Mr David Peterson, has been sworn in as Premier.

This all-change has greatly cleared the air. Problems of principle which had become seriously aggravated by personal animosities can again be tackled with greater hope. Economic revival and political developments also favour the opportunity for making new beginnings.

In particular Mr Levesque's departure coincides with an ebbing away of separatism and nationalism in French-speaking Quebec. Mr Mulroney has signalled his readiness to seek a constitutional settlement with Quebec which did not accede to the revised constitution adopted in 1981. Whoever emerges as leader of Quebec after the election due there by next spring is likely to go in the same direction.

The process will take time. But hopes are high that the danger that Quebec will weaken or even destroy Canadian federation can be exorcised. That possibility originally had a distinctly unsettling effect on foreign investors. Its disappearance, at least for the foreseeable future, should support the efforts of the Mulroney government to stimulate inward foreign investment.

Mr Mulroney has abolished existing obstacles to green-field foreign investment in Canada. His government is also likely to handle with great liberality the screening procedure still applicable to foreign takeovers of Canadian businesses.

A removal of the remaining barriers, except in the most sensitive sectors, might have been desirable in principle. But it would have been difficult politically, especially since Mr Mulroney has decided to seek the greatest possible national consensus behind his policies.

His search for consensus has greatly complicated the Canadian effort to arrive at an agreement for what in Ottawa is called enhanced trade with the U.S. The phrase is in part intended to avoid the use of the words "free trade" which have been contentious politically in Canada for more than a century. The opponents fear that Canada will become too dependent upon the U.S., forfeiting its political and cultural independence.

If it devotes too much attention to these, probably exaggerated, fears the Canadian Government will run the risk that its trade initiative will lead nowhere in particular. That need not worry the rest of the world which has no particular reason to love the kind of bilateral arrangements which Ottawa appears to have in mind with Washington.

Mr Mulroney has been in office for less than a year and his authority is founded on a largely inexperienced Conservative caucus in the Canadian parliament. Nonetheless, the handling of the trade initiative to date does betray some indecisiveness. That impression may or may not be disproved when, supposedly in September, the Minister of External Trade, Mr James Kelleher, makes his recommendations to cabinet on the matter.

Budget row

Mr Mulroney's handling of a political row stirred up by the budget introduced in May has reinforced the impression of a lack of firmness. What Mr Michael Wilson, the Finance Minister, then proposed was a good deal less tough than the advance publicity. It was probably also less tough than what a public frightened by ballooning budget deficits would have tolerated. Yet in the face of a skilfully planned opposition campaign against one of Mr Wilson's proposals, to modify the indexation of old age pensions, Mr Mulroney retreated.

Neither the trade issue nor the row about the budget need do Mr Mulroney permanent damage. He has plenty of time and parliamentary backing to sort them out. But the investment climate would suffer, from the viewpoint of both Canadian and foreign investors, if Mr Mulroney's pursuit of consensus were to degenerate into a loss of direction.

THE NEW GILT-EDGED MARKET

A tough battle for survival

By Barry Riley, Financial Editor

TWENTY-NINE firms of prospective market makers were last month approved by the Bank of England to participate in the new-style market in Government securities, or gilt-edged, due to open up in October next year.

Everybody agrees it is too many. "For the first three years it is going to be a very unprofitable business to be in," says Mr John Barkshire, chairman of Mercantile House, which has built a gilt-edged primary dealer called Alexanders Laing & Cruickshank out of discount house and stockbroking components.

Two applicants for market maker status, the London merchant bank Schroders and the U.S. investment bank Drexel Burnham Lambert, pulled out of the Bank of England's list at the last moment. Other potential contenders, such as Exco International, declined to apply in the first place.

For the record, all the firms of market makers will claim that they are going to be amongst the survivors of the inevitable process of attrition. But off the record, a partner of a big broking firm admits more candidly: "We're sitting on a bit of a volcano."

The 29 are a highly mixed bunch. Some are the products of mergers which have brought together all the necessary elements of market-making, distribution and research. Others—especially some of the American shops—appear to be little more than organisation charts with a score or more of blank name boxes.

Whoever loses in the gilt-edged battle, it will not be the firms of headhunters who are busy trying to lure traders and salesmen from the established firms to the newcomers.

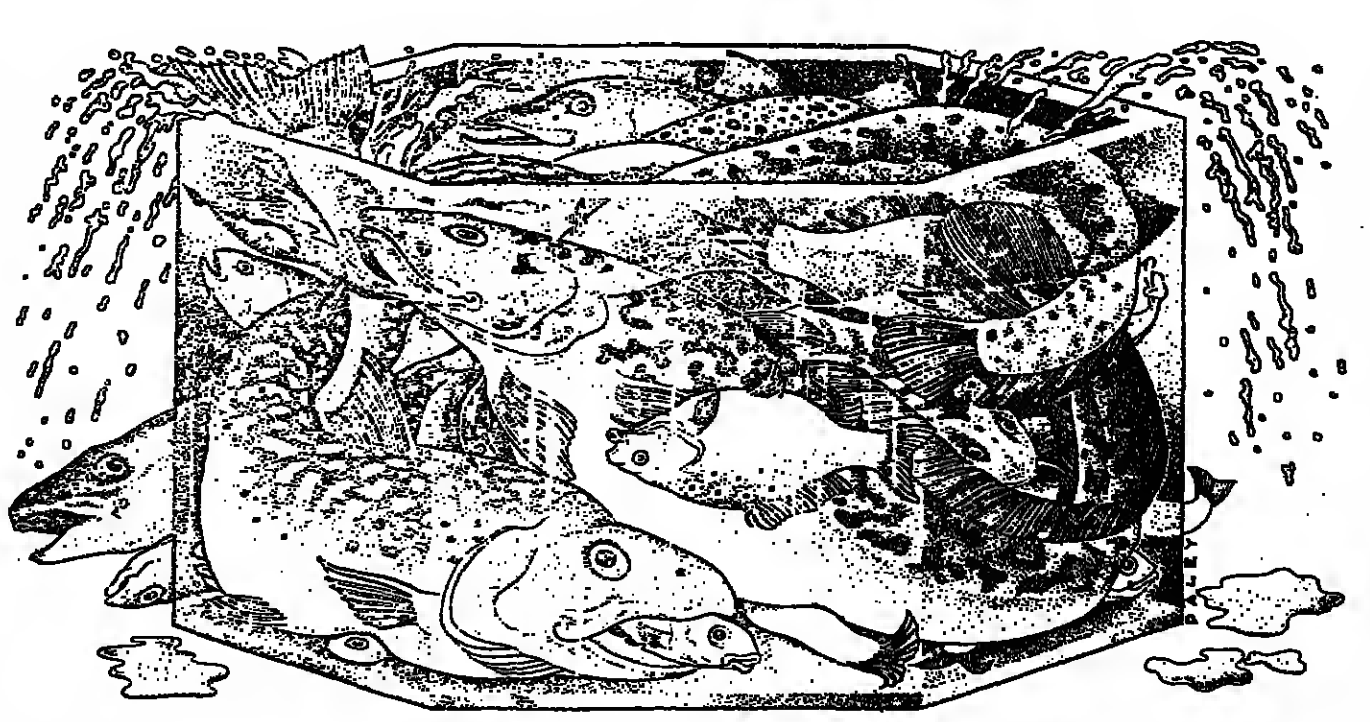
Salaries for any candidate with a smattering of experience are being bid up furiously into the £50,000 to £100,000 range (more still for top men). In a few cases, generous "golden hellos" are also available for the people who need to be unlocked from the "golden handcuffs" fixed on them by their previous firms.

Essentially the market is being reorganised from one consisting of specialised jobbers, or market makers, and of quite separate brokers, into one made up of integrated firms.

The existing market has only two firms of jobbers of any great size, Wedd Durlacher and Akroyd & Smithers, with around 40 per cent of the market each. Then there are perhaps ten or a dozen substantial broking firms.

The big jobbers have been swallowed up into the two major British-owned securities groups, Barclays de Zoete Wedd and the Mercury International Group put together by S. G. Warburg.

But the new market will require all 29 firms to have a team of traders to run their books of gilt-edged securities, which come in a variety of categories including the short-dated and long-dated sectors, and index-linked.



The various new market makers—or primary dealers in American terminology—are approaching the market from different directions, which inevitably affects their style.

Leading gilt-edged broking firms like Phillips and Drew, W. Greenwell and Grieveson Grant have been motivated by the need to protect their market shares at the distribution end—that is, in dealings with clients.

They have all teamed up with banks to obtain outside capital, and in some cases have also absorbed small jobbing firms to obtain experienced traders, in addition to recruiting traders from other areas such as the Eurobond market.

All the same, they are regarded as being primarily sales-driven, and will run the trading desk on a low-exposure basis simply to service clients' orders.

Many of the newcomers, however, especially the Americans, have no existing base in the market at all. Their sales teams will have to be built up from scratch. Accordingly there is speculation that such market making firms will only be able to make money by taking book positions. This could also, of course, involve them in losses if their judgments turn out to be wrong.

As for the big two, BZW and Mercury, they will begin with a reasonable balance of trading and distribution, but inevitably their market shares at the trading end will drop sharply. They also face the most severe internal management problems of any of the 29 partly because of the large numbers of people involved, and partly because they are the obvious targets for the headhunters.

How will the new market work? The most obvious change is that market making will shift from the floor of the Stock Exchange to trading rooms around the City of London (apart from certain smaller *bargains* which may continue to be transacted in the traditional way).

Instead of brokers physically approaching jobbers at pitches on the Stock Exchange floor, the various primary dealers will set up a telephone market of largely self-contained but inter-communicating units.

At Greenwell, for instance, the plan is to set up a trading desk where eight market makers will run the book. Orders will be taken by a team of around 15 salesmen sitting nearby and these will be shouted to the traders.

Prices will be quoted according to the position of the trader's book taken in conjunction with a display of other market makers' prices on screens stacked on the trading desk.

These screens—the products of highly specialised inter-dealer brokers—will be crucial to the operation of the new system. A number of IDBs—perhaps around half a dozen—are now being licensed by the Bank of England. Their function will be to facilitate trading between primary dealers so that they can offset positions they have built up through their sales desks. Their activities should greatly increase the liquidity of the market.

Market makers will have another *facility* available to them. They will be able to borrow stock from investors through the intermediation of recognised Stock Exchange money brokers. This service, in its essential features, will be carried over from the existing jobber/broker market.

The market will be regulated in two ways. First, the Bank of England will keep a very close eye on prudential aspects. Each approved market maker has already submitted detailed plans of its operations, including the amount of capital which will be committed. When operations begin, the risk exposure of each firm will be closely monitored, and daily reports will have to be submitted.

Salaries for candidates with a smattering of experience are being bid up into the £50,000 to £100,000 range

Secondly, the Stock Exchange will have responsibility for regulating the good conduct of the market. The primary dealers will have to be member firms of the Stock Exchange, and consequently will have to follow Stock Exchange rules.

Moreover the Stock Exchange's computers will keep central records of all trades. The exact procedures are still being worked out, but the aim will be to build a data base which will enable investigators to follow a clear audit trail in controversial cases where manipulation of prices is suspected.

But whether the new market will prove cheaper and more efficient, either for institutional investors or for the Bank, is debatable.

Mr John Lewis, the partner of Phillips & Drew in charge of the gilt-edged operation, thinks not. "The costs of dealing are going to rise," he contends. "There will be more people in the market to be paid for. It's a very cheap system we are getting rid of."

Nobody knows quite what will happen in practice, but it may be that commissions will not be so much cut as abolished. Instead, the market could go over to the basis of so-called "net" prices so that commissions get wrapped up in dealing spreads.

The result may not be so cheap after all, Mr Lewis warns: "What institutions will find is that at the end of the day it will be more difficult to beat the indices than it was before."

Much will then depend on the dealing skills of the big institutions themselves. Some are developing their own trading desks and would like—but are unlikely to get—direct access to the primary dealers' own trading teams, without going through the salesmen.

Prudential Assurance is frequently mentioned as being the most aggressive of the major institutions.

Many institutions, however, will still want advisory services, including research, and will be prepared to pay for them, perhaps through a continuing commission structure. The sales teams of the gilt-edged firms will also hope to devise new services, such as sophisticated price information systems.

Whatever happens, the established gilt-edged practitioners will be challenged by a major influx of new people into the market. One of the more ambitious of the new firms will be that of Merrill Lynch, the giant U.S.-based securities group, which is already a major operator in other London markets such as Eurobonds, and now sees a rare chance to establish itself in the gilt-edged arena.

Merrill has hired one experienced gilt trader, Mr John Hutchinson, formerly head of Wedd Durlacher's trading team, but otherwise is very much in the headhunting business. Only a few gaps in its team were filled by the recent decision to buy one of the small gilt-edged jobbing firms, Giles and Cresswell.

In all, Mr Hutchinson is looking to build a team of 12 to 15 salesmen, ideally by the end of this year. He also wants several people for research. But the eight to 10 positions on the trading desk can probably be largely filled from the ranks of Giles and Cresswell plus personnel transferred from Merrill's other London trading operations. Altogether there could be 25 key professionals in the primary dealership.

"The market's going to have problems in the beginning," Mr Hutchinson recognises. But he insists there will be a chance of making money, and in any case Merrill is here to stay.

"Merrill would like to have a healthy market share," he says. "We want to integrate ourselves into this community. The New York management has been very supportive and is very aware of the need for patience in new markets."

Inevitably, however, there is a possibility that one or two of the Americans will pull out, or join forces, before next autumn. That is a risk which must be faced by anybody joining one of the new shops.

Even if the new firms can build effective teams, they face tricky transitional problems. Somehow their systems and contacts are going to have to be tuned up to full operational level even though no business can actually be transacted before a date as yet undecided, but probably in October next year.

Meanwhile, there is widespread anxiety that the projected size and cost of the new gilt-edged market will be insupportable. There will, initially at any rate, be almost as many primary dealers in London as there are in New York, where 36 firms trade in a Treasury bond market many times as large.

There is bound to be a painful process of attrition. Mr John Barkshire sees the final list, after three to five years from October 1986, as boiling down to around 15 names.

He thinks there will be four major firms, six in the second division, and perhaps five more which just succeed in scraping together enough business to remain as primary dealers.

Like the proprietors of all the 29, Mr Barkshire thinks that his own market making firm will be one of the survivors.

Men and Matters

High stakes for fine art

We ought to thank the New York courts, Christie's, the international auction house, and Cristallina, the Swiss art dealership, for the rare chance they have offered outsiders to glimpse the inside workings of the art market.

Christie's has won a Pyrrhic victory now that a New York Court has dismissed an action brought by Cristallina accusing the auction house of negligence. But that is just the ending to a fascinating tale.

It began when Cristallina entrusted Christie's with the sale of eight Impressionist pictures. In the event, in the New York auction room on May 19 1981, only one was sold. A portrait by Degas fetched $2.2m.

Cristallina was seeking damages for the difference between the amount it received and the $10m that Christie's had estimated to make from the auction.

While the judge dismissed Cristallina's case with some asperity Christie's has little cause for satisfaction. David Bathurst, chairman of Christie's, has been forced to admit that he misled over the Cristallina sale. After it was over he claimed that three pictures had been sold—a Van Gogh for the equivalent of £1m, and a Gauguin for £619,047, as well as the Degas. What he was trying to do, it transpired later, was to reassure the market to give the idea that the demand for Impressionist pictures was greater than the reality.

Salerooms do not often mislead about the unsold works in their sales—for the truth usually leaks out anyway. But in 1981 Christie's was still a fresh face in New York. It was in a very competitive situation with Sothebys and wanted to prove to the trade that it could hold successful auctions—particularly in Impressionist pictures.

The keenness to secure the Cristallina property is also revealed in the fact that Christie's only took a 4 per cent commission from the vendor rather than the usual 10 per cent.

"When you said you were NUM, I thought nouveau NUM not old NUM"

Bathurst was over-enthusiastic in his estimates of the prices that the pictures might realise because he so badly wanted Christie's to handle the auction.

Another surprise to the art world in the judge's summing up of the case is the statement that Christie's established a "floating reserve of $150,000 which it could add to the established reserve on any painting if the circumstances of the auction warranted it."

Sothebys and Christie's are currently indulging in the fiercest rivalry for sales, particularly in New York. A nervous strain has entered the auction rooms, much to the dismay of dealers who rely on the sales for much of their stock.

Although this court case has exposed how Christie's has competed for goods, and has attempted to boost the market, Sothebys also has its secrets. The Florence J. Gould sale of Impressionist pictures in New York in May has created a great deal of speculation. On the surface it did well with a total of over $32m. But the identity of the buyers of the two major pictures, a Van Gogh and a Toulouse-Lautrec, has never been disclosed.

It is now widely believed that Alfred Taubman, the president of Sothebys, bought the Lautrec for over $5m. It is an impressive picture. But was he also trying to guarantee the success of the sale?

Master at arms

"Now is a very interesting time to join Lloyd's," said David McWilliam in something of an understatement given that he has just been appointed head of regulatory services at the troubled insurance market.

McWilliam's job will be to enforce the rules at Lloyd's, and that means everything from good behaviour to ensuring that members—or "names"—are solvent. But he is inclined to see the strains caused by recent *scandals and losses* as part of a bygone era.

"The difficulties are a symptom of the past," he said. "The future is very exciting."

The appointment of McWilliam, who is 50, to what must rank as one of the City's toughest jobs just now was something of a surprise in the Square Mile, where he has not been involved in either regulatory or insurance work before. But he has other qualifications.

One is a 17-year stint in the Navy where he rose to be Lieutenant Commander, and must have acquired his well-groomed, ordered habits. And though his style could hardly be described as domineering, Lloyd's members must be prepared to have things shipshape, particularly in the 400-strong department he will now run.

Other qualifications include a string of jobs in the City, ranging from the discount business, to credit cards, banking and travellers cheques.

Most recently he was chief executive of R. P. Martin, the money broking firm, a job he only took last year shortly before the company was bought out by American interests.

Grand design

Sir Terence Conran, chairman of Habitat Mothercare, seems to be possessed of tremendous confidence that he and Ralph Halpern of Burtons will win control of Debenhams.

The Architects' Journal, out today, has been nurturing an architectural world scoop that Conran has already chosen two fashionable architects, Eva Jiricna and Jan Kaplicky, to re-build all 67 of the Debenhams stores.

Conran and Halpern seem to have the tide with them in this bid at present. The trade secretary, Norman Tebbit yesterday announced that he will not refer the offer for Debenhams to the Monopolies Commission.

Even so, it seems indecently early to be making firm plans to reshape the stores.

Behind Conran's wish to use the services of the two Prague architects (who now practice independently in Britain) is his enthusiasm to use the concept of the galleria throughout the Debenham stores — incorporating atria and glass frontages to make each store an individually interesting shopping centre. The Arcade in Milan, built in 1967, has fired Conran "to let light in from the top of the store . . ."

Jiricna and Kaplicky, both in their early forties, left Prague after the 1968 uprising. She designed the Caprice restaurant and the Joseph fashion shops. He has worked for the architect Norman Foster.

Jiricna is now working with Richard Rodgers on the interior of the new Lloyds headquarters in the city, and she is also an assessor on the FT's Architecture at Work award.

Observer

BASE LENDING RATES

A.B.N. Bank	12½%	C. Hoare & Co.	12½%
Allied Dunbar & Co	12½%	Hongkong & Shanghai	12½%
Allied Irish Bank	12½%	Johnson Matthey Bkrs.	12½%
American Express Bk.	12½%	Knowsley & Co. Ltd.	13 %
Henry Ansbacher	12½%	Lloyds Bank	12½%
Amro Bank	12½%	Edward Manson & Co.	13½%
Associates Cap. Corp.	13 %	Meghraj & Sons Ltd.	12½%
Banco de Bilbao	12½%	Midland Bank	12½%
Bank Hapoalim	12½%	■ Morgan Grenfell	12½%
BCCI	12½%	Mount-Credit Corp. Ltd.	12½%
Bank of Ireland	12½%	National Bk. of Kuwait	12½%
Bank of Cyprus	12½%	National Girobank	12½%
Bank of India	12½%	National Westminster	12½%
Bank of Scotland	12½%	Northern Bank Ltd.	12½%
Banque Belge Ltd.	12½%	Norwich Gen. Trust	12½%
Barclays Bank	12½%	People's Trust	13½%
Beneficial Trust Ltd.	13½%	PK Finans Intl. (UK)	13 %
Brit Bank of Mid. East	12½%	Provincial Trust Ltd.	13½%
■ Brown Shipley	12½%	R. Raphael & Sons	12½%
CL Bank Nederland	12½%	Roxburghe Guarantee	13 %
Canada Permanent	12½%	Royal Bank of Scotland	12½%
Cayzer Ltd.	12½%	Royal Trust Co. Canada	12½%
Cedar Holdings	13 %	■ J. Henry Schroder Wagg	12½%
■ Charterhouse Japhet	12½%	Standard Chartered	‖12½%
Choulartons**		TCB	12½%
Citibank NA	12½%	Trustee Savings Bank	12½%
Citibank Savings	¶12½%	United Bank of Kuwait	12½%
City Merchants Bank	12½%	United Mizrahi Bank	12½%
Clydesdale Bank	12½%	Westpac Banking Corp.	12½%
C. E. Coates & Co. Ltd.	13 %	Whiteaway Laidlaw	13 %
Comm. Bk. N. East	13 %	Williams & Glyn's	12½%
Consolidated Credits	12½%	Yorkshire Bank	12½%
Co-operative Bank	*12½%		
The Cyprus Popular Bk.	12½%		
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13 %		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptns.	13½%		
Grindlays Bank	†12½%		
■ Guinness Mahon	12½%		
■ Hambros Bank	12½%		
Heritable & Gen. Trust	12½%		
■ Hill Samuel	§12½%		

■ Members of the Accepting Houses Committee.

* 7-day deposits 9¼%, 1 month 10¼%. Top Tier—£2,500+ at 3 monthly notice 12¼%. At call when £10,000+ remains deposited.

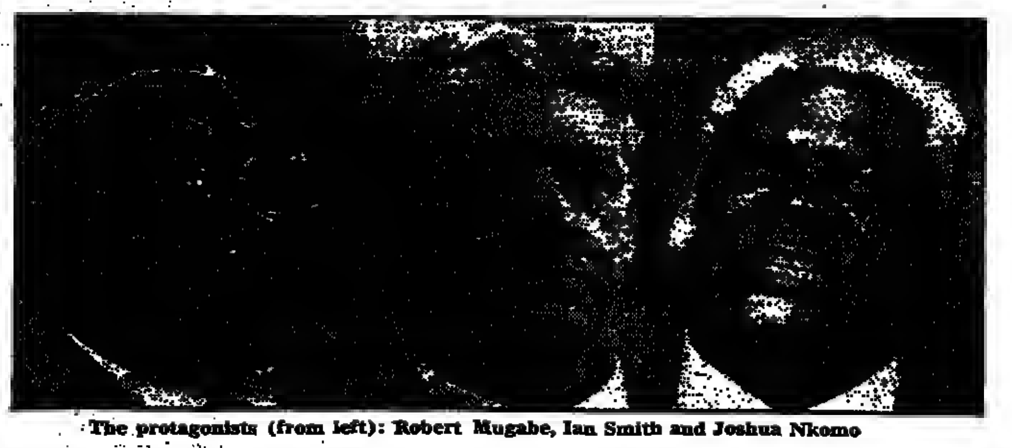
† Call deposits £1,000 and over 9¼% gross.

‖ 21-day deposits over £1,000 10¼%.

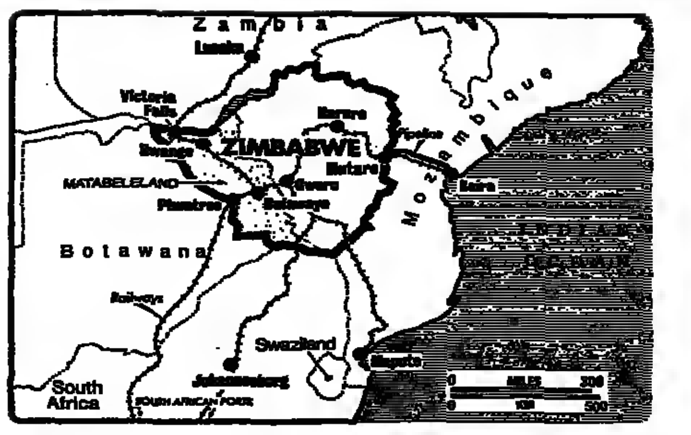
¶ Mortgage base rate.

** See Provincial Trust Ltd.

§ Demand deposits 9¼%.



The protagonists (from left): Robert Mugabe, Ian Smith and Joshua Nkomo



ZIMBABWE AFTER THE POLLS

Behind Mr Mugabe's mask of confidence

By Michael Holman in Harare

FOR A few hours last weekend, Zimbabweans put asida politics and indulged in one of the country's favourita pastimes—sport. As many black Zimbabweans either watched their first division football teams or listened to radie commentaries, most whites were glued to their televisions, following the live broadcast of tha Wimbledon final, Dan Maskell and all.

It is a small bnt telling example of how the two communities, once locked in e seven-year guerrilla conflict which cost over 25,000 lives, can happily pursue separate interests. But it also shows the extent to which a black majority government is prepared to cater for the tastes of a white minority shrunk from a mid-1970s peak nf some 270,000 to perhaps 90,000 today.

Yet the respite was brief. For Mr Robert Mugage, the Prime Minister, has managed to turn attention from what was an election triumph marked by an absence of violence which many observers thought impossible, to the prospects nf what may prove to be a major constitutional erisis. In doing ao ha has exacerbated the already tense relationship between the Shona majority and the Ndebele minority, alarmed the white community whose skills remain vital, and risked the goodwill of the country's major donors in the West.

It began with Mr Mugabe's angry reaction to tha success at the white polls of Mr Ian Smith, the former Prime Minister, whose Conservative Alliance captured 15 nf the 20 white seats entrenched in the independence constitution drawn up in 1979 at Lancaster House undar British chairmanship. This endorsement of the man who led Rhodesia through UDI years amounted, Mr Mugabe declared, to a rejection of his policy of reconciliation between the races.

Without indicating how be would distinguish between the 18,000 whites who votad for Mr Smith and his party and the many more whites who either voted for generally more moderate independent candidates, or who stayed away from tha *polls, Mr Mogabe* vowed to punish "racist" whites. He also said he would abolish tha entrenched seats—even if it meant nverriding a constitution which makes it impossible to do so legally before 1987 at the earliest.

A week later, not content to simply bask in the glow of an overwhelming victory in the black election that followed, Mr Mugabe went on the nffensive again and invited a second constitutional showdown.

Interpreting his 63-seat triumph (out of 79 contested black seats) as a mandate for a one-party state, Mr Mugabe *served notice that* the life *of* the main opposition, Mr Joshua Nkomo'a Zapu (15 seats) was coming to an end and a one-party state beckoned. His assertion was mede despite constitutional hurdles whicb make such a move illegal before 1990. As to the impact of these measures on Western countries, Mr Mugabe was dismissive: they conld "go bang," be declared last weekend.

This week, Zimbabwe ia starting to live with some of the consequences: an outhreak of township violence against suspected government supporters who must have felt encouraged in their efforts by the Prime Minister's denunciation of Zapu.

On the face of it, there is no easy explanation for the Prime Minister's behaviour. Although the white vote must have been deeply disappointing to Mr Mugabe—wbo had two whites in his last Cabinet—he could surely afford to ignore the provocation and abolish the white bloc at the end of 1987. He has had the satisfaction of seeing his long-term rival, Mr Nkomo confirmed as no more than a minority leader many of whose party officials are demoralised.

Mr Mngabe's parliamentary strength is such that should he wish to pursue his declared aim of pushing ahead further and faster with tha country'a "socialist transformation," there is little if any obstacle that can be presented by opposition members of the 100-seat parliament.

In the view of many observers here, Mr Mugabe's actions can only be understood as those of a man under pressure. Behind the outward sbow of confidence (that frequently emerges as intolerance and arrogance on the part of some prominent government members) there is a deep concern about Zimbabwe's vulnerability in the region, and aerious weaknesses at bome. The response to pressure from a party which, although formed in the mid-1960s was really forged in the climate of a guerrilla war, is *instinctively to consolidate, to* eliminate oppoaltion real or imagined, and to present a united front at all costs.

The first threat comes from Zimbabwe'a borders, in the east. Senior government officials are watching with deep anxiety the ateady deterioration in Mozambiqne's security which could jeopardise vital rail and fuel links. President Samora Machel is under increasing pressure from the Mozambique National Resistance (MNR), encouraged first by white Rhodesia and subsequently trained and supplied by South Africa until Pretoria and *Maputo signed a non-aggression* pact in March last year.

The second external threat is posed by South Africa, which controls Zimbabwe's alternative routes to the sea. Pretoria has squeezed this windpipe before—ironically, in tha 1970s in order to force Mr Smith to be more accommodating to the prospect of change—but that is not the government's most immediate fear.

Government officials have long been convinced that Pretoria is prepared to encourage and supply the dissident movement in Zimbabwe's southern province of Matabeleland: the *source* of the first of the internal threats which Government believes it faces.

The so-called dissidents—mainly former members of Zapu's disbanded army which fought in the independence war—have displayed a surprising resilience in the face of renewed Government attempts to eliminate them, and to punish, often brutally, those civilians suspected of providing assistance.

The ceasefire that has reigned in the province during the run-up to and during the elections has left Government more convinced than ever that tha dissidents' *chain of command* reaches to tha highest level of Zapu, despite Mr Nkomo's vigorous denials.

The second internal concern of government lies in the white community, and the outcome of the election bas convinced many in the ruling party that their *fears* are justified. Rightly or wrongly most members of government believe that the white-dominated business community will certainly not co-operate, and may indeed, impede efforts to introduce a Socialist economy. They also fear that on the security front there is among the wbites whal amounts to a Fifth Column, and the spectacle of 18,000 unrepentant whites voting for Mr Smith's Conservative Alliance did nothing to allay their fears.

It is this combination of pressures that may lie behind Mr Mugabe'a apparent determination to ban Zapu and *eliminate* the *white seats*, in the belief that his government will be better equipped to deal with the challenges ahead.

It may yet turn ont that the Prime Minister will have second thoughts, at least on his approach to Matebeleland, where the banning of Zapn *would almost certainly trigger* further unrest. But Mr Mugabe has whetted the appetite of an impatient electorate.

Privatising British Gas

Why Ministers have lost sight of their ideals

By Colin Robinson and Eileen Marshall

THE YEAR 1985 is already one of lost opportunities in policy towards the British gss industry. In February, the *Government announced* that it would not allow the import of Norwegian Sleipner gas. Since there was already a *de facto* ban on gas exports, that decision isolated Britain from the international gas trade, apart from what remains of the Norwegian Frigg contract.

Worse was to follow. At least the trade restrictions are reversible. But if the Government continues for much longer to pursue its chosen method of "privatising" British Gas Corporation, it will soon be past the point of no return. The cost, in terms of lost opportunities, will be most serious and will make it extremely difficult to achieve any significant liberalisation through the rest of the privatisation programme.

To students of the economics of politics—awere of the *limited time horizon of* politicians, the power of organised pressure groups and the tendency of bureeucrats to identify with those groups—the decision *to* privatise *BGC as* a *single* entity will come as no surprise.

It is highly advantageous to BGC, compared with tha alternative of being subject to greater competition and even compared with the present situation in which it is subject to incessant meddling from the Department of Energy and the Treasury. If anything, the Corporation's already considerable market power is likely still further to be enhanced as, freed from present restrictions (such as on oil ectivities) it can expand and diversify. BGG is naive to believe that it will be seriously constrained by its *proposed regulatory body*. Experience in the U.S. shows that it is common for regulators to be "captured" by the industries they are supposed *to supervise*. Indeed, some *U.S.* industries appear to bave sought regulation as a means of escaping from competition and bave become powerful opponents of deregulation. British Gas seems to beve performed its main act of capture even before the regulatory body is established by persuading the Government that the Corporation must remain whole.

It is sad to see Britain beading towards regulation of netural gas at e time wben the U.S., which has experienced the waste and inefficiency of that kind of regime, ia retreating from it. *Selling* BGC whole may seem to fulfil some of the aims of privalisation. There will be some spread of share ownership though it ia unlikely that there will ever be a serious threat of takeover of the sort that keeps the managements of most big private companies alert.

Probably more important, the Government bas strong self-interest motives for raising the extra billions that will come just before an election from selling e monopoly to an eager City. Not only will it raise more money, but privatisation will proceed quicker if it is in a form acceptable to BGG. But wbat bas bappened to tbe Government's commitment to liberalisation and increased competition? The translation of big pnblic monopolies into big private monopolies is hardly *consistent with such ideals*. Either the private monopolist, with market power based upon years of state protection, will exploit thet power or it will need to be regulated.

Precedents are very important in politics

Given U.S. experience, it is not sensible to use regulation except as a last resort when there is clear evidence that the relevant activity is a natural monopoly. That ia not true of most of the activities presently carried out by BGG.

The only elements of natural monopoly are the main gas transmission system and the local distribution of gas to small consumers (mainly bouseholders). It is perfectly reasonable to aim for a netural gas transmission network whicb is either publicly owned or privetely owned and regulated. Local distribution *monopolies* (public or private/regulated) are also probably justified. But that is a far cry from the assumption, implicit in the present proposal, that all the activities whlcb BGC happens to have gathered together during its nationalised period constitute a natural monopoly.

Instead of rushing headlong into a scheme favoured by BGC, the Department of Energy could more constructively occupy itself in examining means of allowing natural gas supply to move to the more competitive state it would have *achieved in the absence of a* state monopolistic-cum-monopsonist. Restrictions on gas exports and imports clearly need to be removed.

An *independent* "common carrier" gas transmission system which could be used by suppliers on payment of a tariff should, for example, *encourage supply* competition compared with the present situation in wbich BGC, among its many activities, controls long-distance gas transmission.

Privatisation of British Gas, without liberalisation of the gaa market, is futile and quite possibly will be disadvantageous in the sense that the privatised corporation's market power, even under regulation, will be increased. However, the precedent set by keeping BGC whole may beve more widespread end serious effects then the lost opportunity in the gas market. Alresdy the chairman of the GEGB is reported to have said that the electricity supply industry should be privatised as one entity and other nationalised industries will, naturally enough, wisb to preserve their *present corporate structures* whilst freeing themselves from political interference.

Perhaps there is still time for the Government to reconsider. It would be most unfortunate if it lost sight of the aims of liberelising the market and stimuleting competition whicb were, and surely still sbould be, the prime reasons for its privatisation programme. Privatising without liberalising makes little sense. If the BGG privatisation plan goes ahead, it may well set the rest of the programme on a coarse which, instead of bringing benefits to the community, will help no one but the presently nationalised corporations, e Government anxious to find large sources of revenne quickly, and potential regulators of those industries.

Colin Robinson is Professor of Economics University of Surrey, and Eileen Marshall is a lecturer in the Department of Industrial Economics and Business Studies, University of Birmingham.

Letters to the Editor

Sugar prices in Britain

From the managing director, James Robertson & Sons

Sir,—Your leading article on the world sugar market (July 5) states that free market prices are currently close to an all-tima low in real terms. It may there*fore come as a surprise* to your readers thet the price of industrial sugar in the UK has been increased by £4.39 per tonne from July 1.

This anomalous situation is brought about because the price of sugar in the EEG is regulated by tbe Common Agricultural policy wblch has decreed that, despite a massive surplus of sugar, the price must be increased to an all-time high.

To have to buy a major ingredient in an artificially inflated market and to be expected to sell in a free market la trading nonaense, particularly when there are growing suspicions that some other governments are prepared to aubsidise sugar to allow their manufacturers to export to markets sncb as the UK.

Hamisb McDonald.
Golden Shred Works, Droylsdea, Monchester.

John Lewis 'all-day Saturday' move

From Mr F. T. Pattinson

Sir,—*I am given* to understand that it is the intention of the management of the John Lewis Partnership to open the John Lewis, Oxford Street, W1 *and the Peter Jones, Sloane* Square, Chelsea, SW1 stores all day on a Saturday.

I am further given to underatand that the opening is to be carried out in spite of a very large majority of the "partners" at the two branches concerned *having expressed* a desire not to open all day on Saturdays.

Will tha "partners" of the branches of John Lewis concerned be given the opportunity to vote on the issue concerned in a secret postal ballot? The ballot should be carried nut before the management of John Lewis takes its decision.

If the John Lewis management cannot agree to do this—wby not?

F. T. Pattinson.
244 Barandon Walk, Kensington, W11.

Business school privatisation

From Mr R. Ashby

Sir,—As a graduate of Manchestar Business School, I was interested to read the letter from Graham Hall (July 4). I see no difficulty with the privatisation of business schools on the basis of the points raised by Mr Hall.

Privatisation will not prevent the business schools from doing research, but it doea mean that each piece of research or line of inquiry will have to be funded from some source or other to wbom it will hava to be justified in cost-benefit terms. There is no reason wby Government departments should not become "*clients*" for the longer-term or more rigorous project if there is a benefit to the community as a wbole. If they are not able to do this, *how* do they justify their current funding to their government paymasters?

As far as other reaearch is concerned, the schools will be forced to be eware of what their market really wants (measured by what it is prepared to pay for). Then we may get business school staff wbo really understand marketing and running a business. Despite their claimed lack of rigour, the consultants that Mr Hall attacks continue to grow, so they must be getting repeat business from people who are satisfied with wbat they do.

There is a niee piece of snobbery hidden in the comment by Mr Hall that the business scbools will be "relegated" to training institutions. This betrays what is obviously Mr Hall's view of the priorities for the staff of the business scbools. If the training given could be demonstrated to make a dramatic difference to the effectiveness and career progression *of* the gradnates, then they and their sponsors would no doubt pay the price whicb would also allow the staff to do aome of the dispassionate research they seek.

Finally, Mr Hall comments that the private business schools are not known for their research ontpnt and thet the pnblic sector schools are forcing back the frontiers nf knowledge in management skills. We must assume that he is only referring to the UK private schools' research ontput, though I am oot aware of *any* of the UK scbools making a really major contribution to management skills by their research. In the 12 years since I gradneted, I am not aware of a single piece of research from Manchester that has made the sligbtest difference to the way I or *any* of my clients *run* our businesses.

Robert Ashby.
10 Colville Terrace, Kensington, W11.

Scottish banknotes

From the Deputy Group Chief Executive, Royal Bank of Scotland

Sir,—It was gratifying to read of support for our banknotes from one of our English customers, Mrs B. Davies, the managing director of the Campus Group, Nottingham.

I would like to point out that, proud though we are of our banknote issue which has been continuous since December 1727, we are not permitted by law to issue these outside Scotland. It would, therefore, not be possible for Mrs Davies, or any other of your readers, to obtain Scottish notes from the 350 branches which, from September 30 onwards, will trade in England and Wales as The Royal Bank of Scotland.

Charles M. Winter,
42 St Andrew Square, Edinburgh.

Double-speak morality on wealth and poverty

From the MP for Oldham W (Lab)

Sir,—Tha current controversy in the Government over whether public expenditure should be cut further to provide for yet further tax cuts conceals the critical issne of the degree of redistribution of income now taking place in Britain.

At Barking Hospital, for example, domestics have been told that if they want to keep their jobs they must accept pay cuts of up to 60 per cent. But Mr Peter Pritchard, chairman of Pritcberd, the parent company of Barking Hospital prlvete contractors, Crothalls, has paid himself an £11,000 dividend rise on top of his salary because profits were so high last ycer.

A recent survey of the top 100 directors of pnblic companies in Britain revealed that they bad an average pay rise of 61 per cent over the past two years. Over the same period an average nnemployed man and his family, because unemployment benefit was cut, then taxed, and then the carnings-related supplement waa abolished *altogether in 1982*, has seen his income reduced by neerly 60 per eent.

Mr Richard Giordano, ebief executive of BOC, Britain'a blghest paid director, last year received from non-executive directors be hlmself had chosen, a pay rise of 48 per cent, taking his salary to £771,600 (or £14,800 a week!), approximately 100 times the averaga manual waga in Britain today. At the same time social security allowences for homeless people in common lodging houses have just been cur by the Government from £100 to £50 e week.

Maybe all these examples will be justified on the grounds of rewerding success. Bnt failure is no less well heeted in tha rigbt quarters. Sir Campbell Fraser's company, Dunlop, recorded huge losses in 1983 of £121m. But *his own* reward was a salary increase of 21 per cent, followed by a golden handshake of £137,000. On the other side, however, cleaners at Addenbrooke's *Hospital*, Cambridge, on £1.60 an honr, have been told that, in ordar to keep their joba, they must work harder in accordance with a new roster; between 9.30 and 9.50 am, for example, they are now being required to *clean nine* toilets, eigbt *sinks*, and three baths—one woman baa to do the job of three before.

In this double-speak morality, what rigbt does anyone have to sentence others to poverty wbich they themselves could not endure? Mr Matthew Perris, one of Mrs Thatcber'a entourage before 1979 and now Tory MP for West Derbyshire, jeered that living on social security was perfectly manageable, but wben challenged to prove it, found it almost impossible to live for one week on supplementary benefit. How many Cabinet Ministers on £800 a week could make out, or even understand what it is like to exist, on £28.05 e week as a single person on supplementary benefit today, or on £45.50 as a couple?

At the other end of the scale 179 company directors today get a aalary of more than £100,000 a year. But not only do they atart from an exeeedingly high basaline, many enriched themselves with buge increases recently.

These high levels of pay and excessive increaaes are supposed to reflect their entrepreneurial role galvanising their companies towards higher profits. A *recent survey* checked this theory against the facts by comparing the percentage change in return on capital to 100 top companies, in the period 1981-83 with the percentage rise in the chairman's pay over the same period.

It was found that Sir Peter Baxendell of Shell Transport had an 18 per cent pay rise, but his company's return on capital fell by 23 per cent. Lord Sieff of Marks and Spencer got a 53 per cent pay rise, but his company took a 30 per cent fall in return on capital. There are many more examples.

Michael Meacher.
Chief Opposition Spokesman for Health and Social Security, House of Commons.

FINANCIAL TIMES

Wednesday July 10 1985

Kevin Done charts the fall from favour of a Swedish oil services group

Consafe finds itself in deep waters

THE PRICE of Consafe shares tumbled yesterday as the Swedish stock market reacted to the company's dramatic announcement on Monday that it is facing huge losses this year and is being forced to seek financial help from its main creditors.

The shares closed at SKr 53, a precipitous fall from Friday's closing price of SKr 124 and its peak in early 1984 of SKr 510.

Consafe, the world's leading operator of offshore accommodation and service platforms for the oil and gas industry, gave a warning on Monday that it was facing losses of SKr 300 to SKr 400m ($34.7m to $46.32m) this year.

Negotiations began in Gothenburg yesterday between representatives of the Consafe board and its main creditor, the Swedish state.

The biggest part of the Consafe fleet of semi-submersible accommodation and service platforms has been built at the state-owned Götaverken Arendal yard in Gothenburg and most of Consafe's long-term debt – some 70 to 80 per cent – has been backed by state guarantees.

At the end of 1984, the group had around SKr 3bn of long-term debt, including SKr 700m in unrealised exchange losses.

This week the group suddenly announced that, with mounting losses, its liquidity was deteriorating sharply and the position was expected to worsen during the rest of the year. It faced no alternative but to seek help from its creditors.

The banks most exposed to Consafe are Skandinaviska Enskilda Banken of Sweden, Barclays and Grindlays of the UK and Nordic Bank, now part of Den norske Creditbank of Norway, but they are largely protected by guarantees from the Swedish state.

For the third time in less than two years, the Swedish Government is being forced to intervene in the financial troubles of struggling Swedish shipping groups.

In early 1984, it reluctantly helped to save the Broströms liner shipping operations, forcing a merger with Transatlantic, for long Broströms' chief domestic rival. By the end of 1984, its attitude had hardened, however, and a week before Christmas it allowed Saleninvest, the country's biggest shipping group, to sink into bankruptcy. It was the country's biggest corporate failure since the early 1930s.

Consafe is a very different case, however. The creation of one of Sweden's brightest young entrepreneurs, Mr Christer Ericsson, it represents one of Sweden's few footholds in the offshore supply industry and at the same time it has been a mainstay of the Götaverken Arendal shipyard, which in recent years has gone over virtually exclusively to the building of offshore platforms and drilling rigs.

If the state proves niggardly in its approach to helping Consafe, it might sound the ultimate deathknell for the shipyard, too. The yard had previously warned that it would be forced to cut around 600 of its present 2,600-strong workforce in the face of shrinking future order books.

The Swedish shipbuilding industry is still having to digest the closure of one of the country's two remaining merchant shipbuilding yards, Uddevalla, which is being run down with the loss of more than 2,000 jobs.

Consafe has enjoyed a rapid rise since its creation in 1971 by Christer Ericsson, a promising teenage jazz drummer and, in his twenties, a captain in the Swedish merchant navy. He founded the company around the idea of using a synthetic fabric – similar to that used in car seat belts – to lift and lash cargoes at sea instead of chains.

With a starting capital of SKr 5,000 he had by last year built a company with an annual turnover of SKr 1bn, total assets (the book value) of SKr 4bn and a workforce of more than 600.

After the success of his initial business idea, he moved into dealing in used cargo containers, particularly for shipping equipment and supplies out to the burgeoning oil and gas fields in the North Sea.

From containers, Consafe began to provide special modules for various living and work functions on the offshore platforms. By 1977, its confidence had grown sufficiently for it to order the world's first "floatel," a purpose-built accommodation platform with rooms for 600 guests.

Expansion has continued at a hectic pace as Consafe has tried to develop its special niche in the offshore supply market. Today, it controls around half the world market for offshore accommodation platforms. Its fleet of close to 20 offshore units now includes a couple of semi-submersible drilling rigs, diving support vessels and several so-called coastels, accommodation and service barges.

On the crest of the wave, Christer Ericsson launched Consafe on the Swedish stock market at the beginning of 1984, raising around SKr 340m from a market euphoric at the company's prospects.

Briefly, the share price soared to SKr 510, but it soon began to tumble as the company's earnings forecasts started to prove wildly over-optimistic and Ericsson's own interests began to be deflected by other business deals.

In 1984, the company barely broke even, although more generous accounting for depreciation, helped the picture a little. At the start of 1984, Ericsson, who still controls around 55 per cent of the equity and some 90 per cent of the votes in Consafe, moved over from managing director to chairman of the group. At the same time, he used part of his growing personal fortune to buy a controlling stake in the Swedish distributor for Mercedes-Benz cars.

With the storm clouds growing over Consafe, he came back to the helm in March this year, but the company was already clearly off course.

For the banks most closely involved with Consafe, especially Skandinaviska Enskilda Banken, it is now obvious that Consafe grew too fast on too much borrowed capital, but it looks as if it is the state that faces the tricky question of whether the company should now be bailed out.

Services still key to new Gatt talks

By William Dullforce in Geneva

THE REFUSAL of some important developing countries to negotiate about trade in services is the one remaining obstacle to the convening of a meeting before the end of September to prepare for a new round of international trade talks.

That became clear yesterday at the end of a two-day meeting in Geneva of the consultative group of 16 countries within the General Agreement on Tariffs and Trade (Gatt).

Papers submitted to the group by several industrialised countries appear mainly to have satisfied the developing countries' demand for prior commitments and clarifications about the purpose of new talks on trade in goods.

The sticking point remains services. The U.S. has now secured the formal backing of Japan, the EEC and most other industrialised countries for its demand that services be part of the agenda of the new round.

Yesterday, however, India took up the running from Brazil in insisting that talks about services should be kept quite separate from Gatt and the negotiations about trading in goods.

Mr Shrirang Shukla, the Indian ambassador to Gatt, said his country was unable to participate in any process that would commit it to negotiate services under the aegis of Gatt.

He agreed, however, to send the papers outlining their positions newly submitted by the industrialised countries to New Delhi and to seek instructions from his Government before next week's meeting of the Gatt council.

The industrialised countries and some developing countries, including Jamaica, Malaysia and South Korea, want the council to convene a meeting of senior officials in Gatt by the end of September to prepare for the start of multilateral trade talks next spring.

Mr Mike Smith, U.S. Deputy Trade Representotive, failed yesterday to get categoric assurances from the members of the consultative group that Gatt council representatives would be in a position to decide next week.

Further delaying tactics by India, Brazil and Egypt might block any decision at the council meeting.

The developing countries' opposition to talk about services within Gatt is based on deep suspicions about the intentions of the present U.S. Administratioo

Future of MFA, Page 4

Shell may invest $200m in Colombian coal project

BY MAURICE SAMUELSON IN LONDON

ROYAL DUTCH/SHELL has told the Colombian Government it would like to buy a stake in the $3.2bn El Cerrejon coal project, which is expected to supply a tenth of the world's demand for imported power-station coal by 1990.

The project, being developed jointly by the Colombian Government and Exxon, produced its first coal for export earlier this year and is due to reach full capacity of 15m tonnes a year by 1989. A second phase, producing an additional 10m tonnes a year, is also under consideration.

Shell has not yet told the Colombian how much of the production it would like to buy. It is understood, however, to be interested in at least 6 per cent, involving an investment of up to $200m.

The approach to Colombia was made earlier this month when officials of the London-based Shell Coal International met Colombia's Minister of Mines and Energy, Sr Ivan Duque Escobar, in Bogota.

The approach was disclosed on Monday in a local press statement by Sr Duque Escobar, who said his Government would consider it after consulting with Exxon.

Under the agreement between Colombia and Exxon, the first phase of El Cerrejon will produce 15m tonnes a year for export, divided equally between the state-owned Carbocoal and Intercor, Exxon's Colombian subsidiary.

Shell has been interested in Colombia's coal reserves for many years but stayed out of the initial stages of the El Cerrejon project, in Colombia's Guajira province, because it thought the mine was too expensive.

Announcing Shell's renewed interest, Sr Duque Escobar reportedly said that Colombia was finding it difficult to raise its 50 per cent of the $3.28bn. He added that both parties had invested 60 per cent of the capital required and that Colombia was making a sustained effort to obtain credits from international banks to complete its contribution.

In London last night, Shell said it was awaiting a considered response to its approach before telling the Colombians how much of the El Cerrejon project it would like to purchase.

This would be the group's first big investment in coal mining since the early 1980s, when it acquired 50 per cent of A.T. Massey, a U.S. mining group, the other half of which is controlled by the U.S. Fluor Corporation.

The first phase of the El Cerrejon project is 50 per cent bigger than the UK's £1.2bn ($1.64bn) "superpit" at Selby in north Yorkshire, which has an initial design output of 10m tonnes a year.

Flexibility keeps Shell in good shape, Page 18

Mazda and Ford plan venture in S. Korea

By Carla Rapoport in Tokyo

FORD of the U.S. is planning to join forces with Mazda of Japan and KIA Industrial of South Korea in a co-operative venture to produce sub-compact cars in South Korea and sell them in North America and Europe.

According to the plan now under negotiation, KIA, South Korea's leading commercial vehicle manufacturer, would invest about 200bn won ($230m) in a new car plant that would produce about 120,000 cars a year. Shipments would begin in early 1987.

Mazda, Japan's third-largest car maker, would provide technological back-up to the venture, as well as supplying components at the early stages. Ford, which holds 24 per cent of Mazda's stock, would provide the marketing network for the Korean car.

Mazda officials said yesterday that the tripartite venture had a "good chance" of going ahead. They said that Mazda or Ford, however, were not planning to take direct equity stakes in the Korean venture.

The venture comes as a result of recent moves by the South Korean Government that allow KIA to diversify into the domestic vehicle market. KIA makes the best-selling commercial van in South Korea, the Bongo, but does not produce domestic vehicles or distribute them overseas.

Mazda and KIA have had links since 1961, with KIA supplying some components to the Japanese company. "They have asked for our support (in the venture) and when they specify what they want we will help," a Mazda official said yesterday.

● Toyota, Japan's largest car maker, said yesterday, that it had not decided whether to begin production in the U.S.

Nihon Keizai Shimbun, Japan's leading economic newspaper, reported again yesterday, however, that Toyota was planning to open a U.S. facility by mid-1988 with an initial capacity of 200,000 compact cars.

German steel merger called off

Continued from Page 1

ernment of Lower Saxony to the proposed shutdown of the Georgsmarienhütte works of Klöckner near Osnabrück, a measure which the participants insisted was crucial to the success of the merger.

The Georgsmarienhütte closure would have cost 1,500 jobs, although the pill was to have been sweetened by a combined DM 75m of help, to be provided by the state government and the Federal authorities in Bonn.

But the Lower Saxony CDU has dug in its heels. Its resistance has undoubtedly been stiffened by the fact thet a tough state election is due there next year.

The party is desperate to avoid a repeat of the North Rhine-Westphalia result of two months ago, when the CDU suffered a crushing defeat, for which dissatisfaction with high unemployment was held to have been largely responsible.

The failure of this latest scheme probably marks the end of a string of unsuccessful attempts in recent years to streamline the German steel industry through mergers.

Krupp and Klöckner, however, did say yesterday that they and CRA would still be keeping in touch to see whether, after the individual rationalisation plans had gone through, there was still a chance of co-operation between them.

Olympia & York sells UK assets to MEPC

BY MICHAEL CASSELL IN LONDON

OLYMPIA & York Developments, the Canadian-based property and resources group, is selling English Property Corporation (EPC) to MEPC, one of Britain's largest development and investment groups, for £112.5m ($153m).

The deal returns ownership of EPC to the UK, six years after the Reichmann brothers, who control Olympia & York, purchased the group for £58m at the end of a hotly contested bid battle with Wereldhave, the Dutch development group.

EPC has a mixed freehold and long leasehold portfolio of 30 properties, located predominantly in the south-east of England and with an approximate book value of £220m.

Included in the assets are Lee House, the 19-storey office building in the City of London which, only 20 years after its construction, is now expected to be demolished and rebuilt. There is one property investment in continental Europe, an office complex to the south of Paris.

In the year to June 30 1984, EPC recorded net income from property of £16.2m and pre-tax profits of about £8m.

Existing management has spent much of its time since the acquisition by Olympia & York selling off investment properties in continental Europe. Last year the company disposed of its entire Belgian property investment and management interests.

In a quickly arranged vendor placing designed to meet a sale deadline imposed by Olympia & York, MEPC is issuing 33m new ordinary shares at 250p – being conditionally placed by Morgan Grenfell – and paying £30m in cash.

The developer is also taking on about £75m of third-party debt to add to its current borrowings of about £450m, although it also inherits some potentially useful tax losses.

The purchase, which will lead to a dilution in net asset value per share of under 3 per cent, helps to tip the balance of MERP's international portfolio – valued at around £1.2bn before the deal – back towards the UK. About 60 per cent of its property assets will now be held in the UK.

Mr Christopher Benson, managing director of MEPC, said the purchase represented an unusual opportunity to acquire an important property portfolio on terms that were more favourable than those available on individual purchases. The EPC package, he added, offered scope for improving revenues and capital values via an active refurbishment and redevelopment programme.

News of the purchase sent MEPC shares down 14p to 257p on the London Stock Exchange.

See Lex; Background, Page 21

Japan eases curbs on Gulf products

Continued from Page 1

Mr Buchanan-Smith said this additional production could have damaging repercussion if exports were concentrated only on a limited part of the world market, but could be absorbed with relative ease if they were equitably spread out across the IEA countries.

European refining capacity is due to come down from a current level of about 700m tonnes a year to 550m tonnes by 1990. Consumption of refined oil products in Europe is at present running at around 450m tonnes.

The IEA ministers also renewed their commitment to energy conservation, development of alternative energy sources to oil and warned of the dangers of complacency in a soft energy market.

While encouraging dialogue at a bilateral and informal level between oil consumers and oil-producing countries, the majority of IEA ministers were opposed to setting up more formal multilateral contacts between the agency and Opec.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	26	79	Dubrovnik	R	25	77	Malaga	S	37	99	Salzburg	S	21	70
Akrotiri	S	28	82	Faro	S	25	77	Malta	S	29	84	Seoul	C	28	82
Algiers	S	33	81	Florence	F	29	84	Manila	S	33	91	Singapore	R	25	77
Amsterdam	C	18	64	Frankfurt	C	19	66	Miami	R	31	88	Stockholm	R	20	68
Athens	S	28	82	Funchal	F	22	72	Milan	F	29	84	Strasbourg	S	23	73
Bahrain	S	35	95	Geneva	S	23	73	Moscow	C	20	68	Sydney	C	14	57
Bangkok	S	33	91	Gibraltar	S	29	84	Munich	F	20	68	Taipei	C	33	91
Barcelona	S	27	81	Guernsey	S	17	63	Nairobi	—	—	—	Tangier	F	24	75
Beirut	S	31	88	Helsinki	C	19	66	Naples	F	27	81	Tehran	—	—	—
Belgrade	F	22	72	H. Kong	C	28	82	New Delhi	F	31	88	Tel Aviv	S	28	82
Berlin	C	18	64	Innsbruck	S	23	73	New York	S	26	79	Tenerife	—	—	—
Biarritz	C	29	88	Inverness	C	15	59	Nice	C	24	75	Tokyo	S	29	84
Blackpool	F	16	61	Istanbul	S	26	79	Oporto	C	22	72	Toronto	—	—	—
Bordeaux	S	27	81	Jersey	S	20	68	Oslo	F	19	66	Tunis	S	34	93
Brussels	S	23	73	Jo'burg	F	15	59	Paris	C	23	73	Valencia	S	37	99
Budapest	F	19	66	Las Palmas	S	24	75	Prague	C	16	61	Venice	S	26	79
B. Aires	F	16	61	Lima	C	17	63	Reykjavik	R	8	46	Vienna	C	18	64
Cairo	S	33	91	Lisbon	R	24	75	Rio de J'o	C	25	77	Warsaw	C	18	91
Cape Town	S	15	59	Locarno	S	28	82	Rome	S	28	82	Zurich	S	22	72
Caracas	C	28	82	London	C	20	68								
Casablanca	R	24	75	Los Angeles	S	35	95								
Copenhagen	R	15	59	Luxembourg	F	19	66								
Corfu	S	29	84	Madrid	S	[illegible]	59								
Dublin	C	18	64	Majorca	S	29	84								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Lloyd's expels Howden chiefs

LLOYD'S insurance market yesterday expelled Mr Kenneth Grob, the former chairman of Alexander Howden Group, the insurance broker, and Mr Mario Benbassat, a founder and former managing director of the Swiss bank, Banque du Rhône et de la Tamise, as members, writes John Moore in London.

In a series of disciplinary moves the Lloyd's authorities also expelled Mr Jack Carpenter and Mr Ronald Comery, former senior executives of Howden, from the market. Mr Ian Posgate, the former leading underwriter at Howden, was suspended for six months from July 8 this year.

The action was sparked by allegations made in 1982 against the Howden executives by Alexander & Alexander Services, the U.S. broker which bought Alexander Howden. Alexander & Alexander alleged that the Howden executives had misappropriated group funds.

Investigations were carried out by Lloyd's and disciplinary action launched. Disciplinary proceedings have not been carried out against Mr Allan Page, the former finance director of Howden, as he has been in poor health.

Lloyd's investigations uncovered an ambitious scheme in which Mr Groh, Mr Comery, Mr Carpenter, Mr Page and Mr Posgate secretly acquired control of the Swiss bank, Banqua du Rhône et de la Tamise.

Background, Page 6

THE LEX COLUMN

A tighter squeeze for equities

Signs of strain, as well as midsummer lassitude, are to be seen all over the London markets at present. The money supply figures may say that sterling M3 has been growing at 23.5 per cent over the last three months, but the rising pound suggests that money is tight enough, and a flagging equity market appears to agree: sterling yesterday reached its highest effective rate for 18 months, and the FT 30-share index had its steepest fall since February.

In themselves, the June money statistics were more than usually meaningless, any underlying message contained being obliterated by the pushing and shoving to subscribe for Abbey Life. With more than £4bn of frustrated cheques in clearing bank suspense accounts over make-up day, there is no knowing if the lending total was inflated or understated; it depends on how much of this money came from liquidating other assets, and how much the stags borrowed. Possibly the surprisingly small amount of net gilt sales can be explained by non-bank institutions running down their holdings – in order to meet their many underwriting commitments in the equity market.

Whatever the tangled truth, the foreign exchange markets did not wish to unravel it before buying sterling. A bad underlying figure would keep interest rates high, and something better would allow the gilt-edged market to advance. For equities, high interest rates and higher levels of sterling are, however, equally unpalatable. Shares with a lot of trading exposure to the exchange rate were looking particularly unhappy yesterday: ICI, which has such a well publicised sensitivity to the D-Mark, fell 17p to 712p – but then sterling is at its highest against the D-Mark since September 1983. If the pound remains at current levels, there will also be adverse translation effects across the board, and however little thet matters to dividend-paying capacity, the stock market is beginning to worry about it.

Intasun

Reporting in midsummer may have its advantages, but these are scarcely evident for a package-tour operator. In Intasun's case, a surge in late bookings over tha next four weeks could decide whether it makes as much or more from trading this year than last year's £12m. This hardly leaves much for investors to ponder in the remaining 48 weeks – unless it is the professional ease with which Intasun is weathering two bad years.

Intasun had done all the right things. It may be that packaging people breeds cynicism, but the company's ruthless treatment of the holidays as a commodity has protected it from an even worse downturn than last year's bald decline at the trading level. Intasun's push for volume has – after the aircraft disposals that so inflate pre-tax profits – still left it with the clout to repair margins at the expense of hotel operators and air-charter contractors.

Intasun must also be given credit for spotting that Greece would this year be cheap and Spain expensive and for its shift to larger aircraft – and hence larger airports, where consolidations pass relatively unnoticed. Above all, it continues to show the most skilful management of cash – and this without the endowment effect of early bookings which would formerly have swelled the June cash bulge to £70m.

All this may be getting a bit nerve-wracking even for Intasun, despite the promise of a bumper 1986–87 on collapsing Mediterranean currencies. That it is leaving the customers' cash alone and gearing up to buy hotels bespeaks as much; and in going out of its way to bring Ramada in as managers, Intasun is recognising thet the risks of this diversification need to be spread a bit.

MEPC/EPC

When Olympia & York Developments bought English Property Corporation six years ago, it was pretty clear that OYD had its eye on EPC's Canadian holdings and not much else. Since then, it has encouraged EPC to sell off properties and must have been relieved when MEPC offered to buy the rump that was left.

What MEPC has ended up with is a mixed bag of office, retail and industrial properties in various states of repair. There must be room to add value through development, particularly in a couple of the City of London sites and on the Milton Trading Estate, and the £70m-odd of tax losses will doubtless come in handy. But it is no secret that MEPC made a pitch for stock conversion earlier this year, and it is hard to escape the conclusion that this purchase smacks of second best.

This was not lost on the City; but what really pained the market was the vendor placing used to finance most of the deal. The dilution caused by issuing equity knocked 12p off each share's net asset value, so it was not surprising to see them fall 14p. At the close, they stood only 7p above the 250p placing price. Perhaps the moral for property companies is that the market prefers earnings dilution to asset dilution. With gearing of only 50 per cent and cash of £95m in the last balance sheet, MEPC could easily have paid cash for EPC and left its shareholders a little happier.

FINANCIAL TIMES

Wednesday July 10 1985

CBS profits fall 12% in quarter

BY PAUL TAYLOR IN NEW YORK

CBS, the U.S. broadcasting group which is waging a fierce defensive campaign against a takeover bid by Mr Ted Turner, yesterday reported a 12 per cent decline in second-quarter income from continuing operations and sharply lower first-half results. Record operating profits from its CBS/Broadcast group were offset by lower earnings from other operations.

The New York-based group blamed the overall decline in operating profits on softness in the recorded music business, the impact of its purchase earlier this year of the *Ziff-Davis* magazine operations, interest charges and disappointing results and higher costs resulting from the restructuring of its toy business.

Second-quarter earnings from continuing operations fell to $78.1m, or $2.63 a share, from $88.4m, or $2.98, in the corresponding period a year earlier. Net income fell even more sharply, by 22 per cent to $69.3m, or $2.33 a share, from $88.6m, or $2.98, partly reflecting one-time charges associated with the disposal of the group's musical instrument operations. Revenues increased from $1.19bn to $1.23bn.

For the first half, CBS reported a 27 per cent decline in net earnings from continuing operations to $94.9m, or $3.19 a share, from $129.4m, or $4.36, a year earlier. Final net earnings fell by 32 per cent to $86.1m, or $2.89, from $127.5m, or $4.29. Revenues were flat at $2.35bn compared with $2.34bn in the 1984 first half.

Mr Thomas Wyman, CBS chairman and chief executive, said: "More than half of the decline in second-quarter net income reflected one-time-only charges. On the plus side we were particularly pleased with the performance of the CBS/Broadcast group which not only set a record in operating profits for any quarter in its history but has also reported the largest quarterly operating profit of any broadcasting entity ever."

The group said quarterly earnings from its CBS/Broadcast group, bolstered by "a very strong performance" by the CBS television network, had increased by 14 per cent to $181.1m from $159.4m on revenues up 10 per cent at $737.2m from $672.5m.

In contrast, profits from CBS Records plunged to $18.8m from $30.5m as revenues fell to $281.7m from $305.3m. The profit decline reflected softening market conditions and a reduced domestic schedule of releases from major artists. Profits for the record group's international and direct marketing operations increased, though.

The publishing division suffered a 63 per cent decline in profits to $2.3m from $6.3m, while revenues rose by 16 per cent to $163.9m from $141.8m. The decline primarily reflects costs associated with the Ziff-Davis deal.

The loss from other operations grew to $31.7m from $8.7m, mainly reflecting an operating loss on toy operations and a provision to cover the loss on the sale of a toy plant.

CBS' performance, one of the first second-quarter earnings reports to emerge, appears to set a sombre tone for the results season. However, its share price rose modestly after the announcement, gaining $⅝ to $116¼. The shares were bolstered last week after the company announced a share buy-back plan for 21 per cent of its stock as part of a defensive strategy against Mr Turner's unwelcome attentions.

Hoesch to sell stake in PWH to Wolff

By Rupert Cornwell in Bonn

HOESCH, the West German steel concern, has agreed to sell its holding in PHB-Weserhütte (PHW), one of the world's major bulk materials handling companies, to the Otto Wolff engineering group, ending an 18-month struggle for control.

The sale, for a price said to be DM 60m ($20.2m), gives Otto Wolff total control of PWH.

In return, Otto Wolff is dropping the suit it had brought against Hoesch, which claimed that the steel company had acted improperly in acquiring the controversial holding from Arbed, the Luxembourg steel group.

The row started early in 1984, when Hoesch acquired a 49.6 per cent stake in PWH from Arbed, with the intention of merging it with its own construction machinery company Orenstein und Koppel (O & K). But the move was bitterly resisted by Otto Wolff which used its slender 50.4 per cent majority interest in PWH to deny Hoesch its way.

The two companies are now saying that Otto Wolff had acted upon "incorrect information" in taking its legal action against Hoesch. The settlement moreover provides for the "competitive interests of O & K to be guaranteed," although the statement gave no details as to how this would be achieved.

U.S. bank chief quits

By Our New York Staff

MR TONY CONSTANCE, a familiar figure in the London-based Euromarkets for more than a decade, is resigning as chief executive of Manufacturers Hanover's UK operation and as head of its worldwide merchant banking group.

Flick doubles operating income to DM 206m

BY OUR BONN CORRESPONDENT

FLICK, the largest family-owned industrial group in West Germany, is expecting to turn in substantial profits once more this year. In 1984, its operating earnings more than doubled to DM 206m ($69m) despite a drop in sales by its major arms and engineering subsidiary, Krauss-Maffei.

Herr Hans Werner Kolb, a partner in Flick, which employs 43,350 workers in 63 companies, also disclosed that the Berlin-based Federal Cartel Office would rule by mid-September on the controversial plan to sell Krauss-Maffei to a consortium of West German banks and industrialists.

Under the scheme, which now apparently has the blessing of all other parties involved, Flick would retain an interest of 15 per cent of Krauss-Maffei, compared with the 98.4 per cent currently held through Buderus, which is in turn 97 per cent controlled by Friedrich Flick Industrieverwaltung, the parent company of the entire group.

The remainder would be divided between three major banks – Dresdner Bank, Deutsche Bank and Bayerische Vereinsbank – the Bavarian regional finance agency LfA, and Raketen Technik, a company jointly owned by the Diehl arms group of Nuremberg and Messerschmitt Bölkow-Blohm, the aerospace and weapons manufacturer.

Estimates of the value of the deal range between DM 170m and DM 300m. Hitherto, the Cartel Office has been wary of the proposed arrangements, chiefly because of the possible emergence of a virtual monopoly of arms production through the linking of Krauss-Maffei and MBB. But Herr Kolb asserted yesterday: "We believe that the scheme will go through."

Flick intends to use the proceeds of the sale to strengthen its other interests in West Germany, on which DM 530m of capital spending is planned for 1985. These include chemicals and explosives through the wholly owned subsidiary Dynamit Nobel, special steels through Buderus Edelstahlwerke, and the paper manufacturer Feldmühle.

The profits of Flick, which also holds 25 per cent of the W. R. Grace concern of the U.S. and 10 per cent of Daimler Benz, doubled last year from DM 100.7m in 1983, although that year's performance was boosted by a DM 194m capital gain stemming from the winding-up of the Mercure company of Curaçao.

Despite a dip in sales of Krauss-Maffei from DM 2.04bn to DM 1.69bn (reflecting the completion of deliveries of its Leopard 1 tank to Greece and Turkey), turnover of the group rose 5.7 per cent to DM 10.5bn.

Worldwide Flick sales climbed to DM 21.8bn from DM 20.3bn.

Two U.S. banks report sharply higher second-quarter earnings

BY PAUL TAYLOR IN NEW YORK

NCNB and Wachovia, two fast growing U.S. banking groups which are both key players in an interstate banking merger boom in the south-east, yesterday became the first major U.S. banks to report sharply higher second-quarter earnings fuelled by higher net interest income.

NCNB, the Charlotte-based banking group which is the 25th largest in the nation in terms of year-end assets and which last month bid $308m for Bankers Trust of South Carolina, said net income increased by 32 per cent to $38.3m, or $1.24 a share, from $29.1m, or 97 cents a share, in the year-ago period.

The sparkling second-quarter earnings lifted first-half net income to $71m, or $2.31, compared with $57.35m, or $2.03, in the 1984 period.

Wachovia, the North Carolina-based group which is the 41st largest in the nation and has agreed to acquire Georgia-based First Atlanta, said second-quarter net earnings increased by 28.6 per cent to $30.57m, or 94 cents a share, from $23.74m, or 74 cents, in the 1984 quarter. For the first half Wachovia reported net earnings of $59.7m, or $1.83, compared with $48.1m, or $1.49, in the same period last year.

Both banking groups attributed the jump in quarterly net earnings to higher loan volume coupled with other positive factors. Mr Hugh McColl, chairman of NCNB, said the second-quarter earnings, the best in the bank's history, resulted from higher net interest income due primarily to increased loan levels. Average loans increased by approximately 20 per cent from the year ago period.

Mr McColl, who said the results are "clear evidence" of the success of the group's interstate expansion efforts, added that NCNB recorded a $30m after-tax gain in the second quarter, resulting from the sale of TranSouth Financial, its consumer finance subsidiary, but noted that most of this gain was offset by higher loan-loss provisions in the quarter.

Mr John Medlin, Wachovia's chief executive, attributed his bank's quarterly earnings gain to increased loan volume, higher net interest income and other operating revenues

FFr 242m rights for Veuve Clicquot

By David Marsh in Paris

VEUVE CLICQUOT, one of France's top champagne companies, is launching a FFr 242m ($26m) one-for-five rights issue to raise fresh capital to buttress existing activities and finance possible diversification.

The company, traditionally the most export oriented of France's champagne houses, recorded group net profit of FFr 86.3m last year against FFr 77.2m in 1983, on turnover of FFr 903.5m against FFr 804.5m.

The capital increase, under an offer open to the end of this month, will raise nominal capital to FFr 36.6m from FFr 30.5m. The company is issuing 121,909 new shares at FFr 2,000, securing net proceeds of FFr 234m.

The operation is designed to consolidate Veuve Clicquot's acquisition of the Givenchy perfumes company over the past few years. It is also stepping up its financing efforts to develop its two champagne subsidiaries, Veuve Clicquot-Ponsardin and Canard Duchene. The company says it is also looking for diversification opportunities to tie in with its existing brand names.

The company expects a further 25 to 30 per cent increase in group profits this year, with first-quarter turnover up 46 per cent from 1984 on a comparable basis. Higher prices and lower financial charges are the main factors behind the better performance, with export sales expanding particularly fast.

Investments this year are forecast at FFr 36m against FFr 36m in 1984.

Laura Ashley to seek listing with 25% of family holding

BY CHRISTOPHER PARKES IN LONDON

LAURA ASHLEY, the international textile, design, clothes and home furnishings group, is to seek a full listing on the London Stock Exchange by early next year. After 30 years under private control, the company is likely to confirm the flotation today.

The family is expected to part with about 25 per cent of the company in a move which could value the group at about £200m ($268m): Mr Bernard Ashley, the founder-chairman, has asked UK bankers Kleinwort Benson to work out a scheme which will allow the workforce to take part "on favourable terms."

He also plans to put about 10 per cent of the family holding into The Ashley Foundation, a trust devoted to direct charitable work with children and in the medical field.

The float will follow a restructuring programme, now under way, in which the 20 or so existing companies will be blended into one.

Mr John James, who joined the group in 1974, will be group managing director. Mrs Laura Ashley will be deputy chairman.

The company, which reported pre-tax profits of £14m on consolidated sales of £112m for the year ending January 31 1985, has been growing rapidly for the past 10 years, particularly in the U.S., continental Europe and other overseas markets. It claims to account for almost 20 per cent of all UK exports of women's and children's clothes to the U.S.

It now has more than 180 shops worldwide and plans to open a further 60 and several new factories in the next 12 months. The group employs about 4,000 people, half in the UK, where it has 73 shops and 11 factories.

The company had 55 shops in the U.S. at the end of 1984 and plans to open up to 25 more this year. Its North American subsidiary, headed by Mr Peter Revers, will shortly move into a new headquarters at Mahwah, New Jersey.

Mr James, explaining the long-rumoured flotation, said: "There are lots of expansion opportunities, and ploughing back existing profits is not enough to keep pace."

Mr Peter Phillips, group finance director, said that, while expansion of the company's international retail business could be comfortably financed from profits, more was needed to fund planned advances in production. Every 20 new shops needed at least 100 new workers in sewing factories.

The group is something of a rarity in that it is completely vertically integrated: dyeing, printing and making up all its own fabrics for clothes and furnishings to be sold only through its own distinctive outlets. It also makes co-ordinated wallpaper and paint ranges.

Some accessories, such as tiles, tableware and knitwear, are made for the company to Ashley designs. Plans are under consideration for further expansion of the product range to include furniture, men's shirts, costume jewellery and handbags.

In the longer term, the company is also considering new manufacturing plant overseas to complement its current expansion programme in Britain and the Netherlands.

Feature, Page 8

International Paper suffers setback

BY CHRIS CAMERON-JONES IN NEW YORK

INTERNATIONAL Paper, the world's largest paper maker, suffered a sharp setback in the second quarter with net earnings falling 47 per cent to $35.2m, or 57 cents a share, from $67m, or $1.21 a share, a year ago.

This left the six-month total for the New York-based group down at $72.3m, or $1.17, from $122.3m, or $2.19.

Earnings continued to be hurt by weak pricing levels in most product lines, a decrease in volume and the continued strength of the dollar, Mr John Georges, chairman and chief executive, said.

Sales for the latest quarter were unchanged at $1.2bn, leaving the interim figure lower at $2.3bn against $2.4bn last time.

Mr Georges said that cost-cutting efforts were continuing including the successful start-up of the first major machine under the modernisation of the plant at mobile, Alabama. There had also been a reduction in the company's workforce, with about 1,000 salaried employees participating primarily in a voluntary retirement programme.

Halftime earnings a year ago included a net gain of $16.8m on the sale of land in the first three months. In early trading yesterday shares were down $1½ at $47½.

EUROBONDS

3M issue reflects dollar fears

BY ALEXANDER NICOLL IN LONDON

THE EUROBOND market's fears about the extent of the dollar's decline were demonstrated in striking fashion yesterday with the launch of the first reverse dual currency bond, payable in dollars and with a dollar-denominated coupon, but repayable in sterling.

The recent spate of dual currency issues has been denominated in other currencies, mainly Swiss francs, and repayable in dollars. The idea is to offer investors a play on exchange rates.

The latest issue, led by Morgan Guaranty for Minnesota Mining & Manufacturing, the U.S. diversified industrial group, an AAA-rated borrower, turns the concept on its head. The $100m, 9¾ per cent, five-year bond, issued at par, is repayable in sterling at an exchange rate of $1.3605, the rate at the time the deal was done.

Investors will thus have a dollar investment which will benefit them if the dollar declines substantially, while 3M is paying less than it would on a sterling borrowing, though probably slightly more than it would on a conventional dollar issue.

The issue was one amid a flurry to come out late in the day after a long period in which deals were stifled by a U.S. credit market setback and the dollar's fall on foreign exchange markets. Attention for most of the day focused on two new New Zealand dollar bonds and increases in two Australian dollar issues.

BHF Bank bond average		
July 9		Previous
103.810		103.795
High	1985	Low
103.810		99.840

As credit markets rallied on encouraging remarks on defence spending by President Ronald Reagan, Ford Motor launched a $150m issue, led as usual by Goldman Sachs International. It was priced at 99¾ with a 10½ per cent coupon and eight-year life.

Inco, the Canadian-based international metals group, also braved the dollar market with a $75m, seven-year issue at 11 per cent. It was priced at 100¼ per cent by lead managers Morgan Grenfell. Like the Ford issue, it was launched too late for the market to settle on a trading level.

In the dollar convertible sector, Fuji Heavy Industries is raising $50m for 15 years with an issue led by Yamaichi International. It has an indicated coupon of 3 per cent and premium of 5 per cent, with final terms to be set on July 17.

The New Zealand sector saw its first Japanese borrower, Nichimen, a trading concern. Its NZ$40m issue, led by J. Henry Schroder Wagg, is guaranteed by Sanwa Bank and is for five years with a 16¼ per cent coupon and par pricing.

An overseas subsidiary of Development Finance of New Zealand is raising NZ$40m for three years with a 16¼ per cent coupon and par pricing, led by Goldman Sachs International.

CRA Finance raised its A$50m issue to A$80m, while SBC (Australia) increased its A$40m bond to A$50m.

The Swiss market, in addition to several small issues, saw Southmark, the U.S. property concern, set an indicated 6¾ per cent coupon on its SwFr 120m issue due 1993, led by Banque Paribas (Suisse). Final terms will be set on July 17.

Hokkaido Electric Power's SwFr 100m 10-year issue was priced at 100¼ with a 5¼ per cent coupon. The Swiss market was quiet, with attention focused on the equity market. The Inter-American Development Bank's two-tranche issue closed at 99¼ on the 10-year tranche and 99½ for the 20-year tranche. Both sections were priced at par.

Österreichische Kontrollbank is issuing a Fl 100m five-year Euronote with a 7 per cent coupon and par pricing, led by Amsterdam-Rotterdam Bank, while in the domestic Dutch market Banque Française du Commerce Extérieur is making a Fl 200m 7½ per cent issue with an indicated price of 99½, due 1991-97.

The German bond market eased by up to ¼ point on profit-taking. Elsewhere, Electricité de France is expected to launch a Ecu 150m issue.

International Bond Service, Page 14

Trinidad to step up borrowing

By Peter Montagnon in London

TRINIDAD and Tobago intends to step up its borrowings from international financial markets to help develop its indigenous resources, notably natural gas, Mr George Chambers, Prime Minister, said in London yesterday.

The borrowings will be spread through a number of different currencies and markets, including those for Swiss francs and yen, where private placements have already been issued this year. Trinidad hopes to return to the bulldog bond market where it launched a £50m issue in April last year.

Officials say that this year's international borrowing needs will exceed $400m. Commercial bank credits will be basically confined to specific project needs.

Mr Chambers told a symposium of bankers and businessmen that Trinidad, with total foreign debt of some $1.43bn, still had capacity to borrow, as it had a debt service to export ratio of only 16.1 per cent in 1984.

Also foreign exchange reserves which totalled TT$2.8bn (U.S.$1.16bn) at the end of last year represented eight months' import cover, he said. While they acknowledge that this gives Trinidad a high degree of comfort, bankers say they are worried by the continuing decline of reserves from a peak of TT$7.6bn in 1982.

Though the fall has slowed this year, central bank holdings of foreign exchange had still fallen by TT$458m in the first half, Mr Chambers said.

Republic New York sets its sights on the quality customer

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

REPUBLIC New York Corporation's $150m Euronote facility, launched yesterday, marks a sally into the Euromarkets by one of the U.S.'s more unusual banks.

Though not in the mega-bank league (its $12.1bn balance sheet ranks it number 30 in the U.S.), it bas at various times over the last few years featured on Salomoo Brothers' charts as the most profitable bank, the most strongly capitalised, the best reserved against loan loss, the most conservatively managed, the most liquid, the most productive measured in operating revenue per employee and the fastest-growing in terms of overall earnings.

Many bankers would consider some of these qualities to be mutually exclusive. But one reason Republic does not fit the mould could be that its guiding light is Mr Edmond Safra, whose motto is: If you're going to launch a ship on the stormy seas of banking, make sure it's strong.

Mr Safra founded Republic in 1966 and currently owns about 36 per cent. It was the one bank in his stabla that he did not sell to American Express when he disposed of the Trade Development Bank group two years ago, which means it has now become his chief banking interest. Part of the remaining stock is owned by Safra associates, and the rest is traded on the New York Stock Exchange.

Republic is something of a chameleon. In New York it seems part of the berd, pursuing the man in the street for his savings through a network of local branches, though its lofty aspirations will shortly be embodied in a brand new skyscraper headquarters on Fifth Avenue.

Abroad, the image is quite different, exemplified by the discreet but plush branch in London's Berkeley Square, tha former imperial Russian embassy, where some of the world's wealthiest people are invited to do their private banking amid antique furniture, old masters and butlers dispensing coffee and lunch.

The quest for the business of the "higb net worth individual" in Europe bas now become Republic's main aim, says Mr Jeffrey Keil, the president. In effect, Republic is now chasing the market that was closed to it wben it was part of the Geneva-based Trade Development Bank group.

The emphasis is on quality service. Apart from the external trappings, Republic prides itself on its ability to deal in precious metals (it is one of the largest gold traders in the U.S.), to ship physical cash in virtually any known currency to private clients all round the world (it has about 17,000 in 80 countries), and above all on total security.

Republic is now by far the most strongly capitalised of the larger U.S. banks. Its equity to assets ratio of 10.89 per cent is twice Citibank's, following a deliberate policy by management to go for strength rather than profitability in the last couple of years. Republic is one of the few banks whose credit rating bas been increased recently. In February Moody's, the rating agency, promoted it from single A to double A.

But this does mean that depositors with Republic may not get as good a yield as they would elsewhere. Mr Keil says: "We do not compete on price." Usually, Republic pays 30 basis points (0.3 per cent) below the rate offered by banks for dollars on the Eurodollar market.

The bank has also cut operating costs to the bone. By taking on only business that can be highly automated, and investing heavily in technology, Mr Keil claims that each employee is twice as productive as the average U.S. bank's. This has helped underpin profitability. Last year Republic earned $75.6m after tax, an increase of 9.5 per cent on the previous year, though earnings per share were virtually unchanged because the bank sold more equity as part of its drive to raise capital.

Mr Keil says it is unlikely that Republic will maintain such a high capital ratio because he intends to expand the bank as new business opportunities arise. "But it is better to have the capital before rather than after," he says. The $150m facility will be used mainly to fund Republic's U.S. business.

If there is a weakness at Republic, it lies in the legacy of over-enthusiastic lending to Third World countries a few years ago. The bank now has 5.5 per cent of its assets out to countries that have been officially designated by the U.S. banking authorities as "troubled," which is quite a high level.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for July 9.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 10⅛ 00	100	102⅜	102⅞	−0½	+0⅝	10.15
Amex Credit 12⅝ 88	150	107	107½	−0½	+0⅛	[illegible]
Bank of Tokyo 13⅝ 91	100	113⅜	113⅞	−0⅛	−0¼	10.44
BP Capital 11⅛ 92	150	102¾	103¼	−0⅛	+0⅝	10.44
Caisse Nat Tele 13¼ 91	100	114⅜	114⅞	−0¼	+0⅝	10.33
Canadir 11½ 00	500	106¼	106¾	−0¼	+0⅝	[illegible]
Canadian Pac 10¾ 93	100	102⅝	103⅛	−0⅛	+0¾	10.20
Canadian Pac 12½ 89	75	108⅞	109⅜	−0⅛	+0⅜	11.17
CBS Inc 11⅜ 92	100	† 103	103½	−0⅜	+0⅞	10.69
Chevron U.S.A. 12¼ 89	600	105	105½	−0⅝	0	10.62
Citicorp 11½ 95	150	102⅛	102⅝	−0⅛	+0¾	11.09
Coca Cola 11¾ 91	300	107¼	107¾	−0¼	+0¾	10.06
Denmark Kingdom 11¼ 89	100	103½	104	−0⅛	+0⅛	10.00
Denmark Kingdom 11⅞ 90	100	105⅜	105⅞	0	+0¾	[illegible]
Denmark Kingdom 11¼ 92	100	104⅜	104⅞	−0½	+0¾	10.48
Denmark Kingdom 13¼ 91	100	112⅛	112⅝	−0¼	+0½	10.42
Denmark Kingdom 14 01	100	110½	111¼	0	−0⅛	11.40
E.E.C. 11⅛ 90	100	103⅝	104⅛	−0¼	+0½	9.99
E.I.B. 12 95	200	108¼	108¾	−0¼	+0⅝	10.55
E.I.B. 13 98	200	111⅜	111⅞	−0¼	+0⅛	11.12
Export Dev Corp 12 89	100	106⅝	107⅛	−0¼	+0⅛	9.93
Ford Motor Cred 11⅜ 90	100	102⅞	103⅜	−0¼	+0¼	10.45
Ford Motor Cred 11⅝ 95	100	103	103½	0	+0⅝	11.04
Ford Motor Cred 11¾ 92	100	103½	104	−0½	+0⅝	10.92
Ford Motor Cred 12 00	100	105	105½	−0⅜	+0¼	10.89
Gen Elec Credit 10¾ 00	200	101⅛	101⅝	−0¼	+0⅝	10.06
GMAC 10¼ 89	200	101⅜	101⅞	−0⅛	+0⅝	9.72
IBM Credit 10⅜ 2000	300	101⅞	102⅜	−0⅛	+0½	10.07
Indust Bk Japan 12¾ 90	100	† 109½	110	−0½	+0⅝	9.91
Japan Air Lines 13⅝ 94	100	119⅛	119⅝	−0½	0	10.02
Kellogg Company 10⅞ 90	100	103¼	103¾	−0⅜	+1	9.84
Kellogg Company 11¼ 93	100	104¼	104¾	−0½	−0⅛	10.24
L.T.C.B. 12¾ 91	100	109⅜	110⅛	−0½	0	10.62
Macy Cred Corp 11¾ 95	100	105⅛	105⅝	−0¼	+0⅝	10.80
Mellon Bank 13 87	100	105⅞	106⅜	−0⅜	−0⅛	9.66
Merrill Lynch 12¾ 90	100	105	105½	0	+0½	10.80
Minnesota 11½ 87	100	103¾	104¼	0	+0⅜	9.41
Mutual Trust 11⅝ 90	100	103¾	104¼	0	+0⅜	10.54
Morgan Guaranty 12⅜ 89	150	106⅞	107⅜	−0⅜	+0⅜	10.19
Nippon Cred Bk 13¾ 89	100	111¼	111¾	−0⅜	+0½	10.23
Nth America 12¾ 91	100	† 107⅜	107⅞	0	+2⅛	11.08
Penney J.C. 12¾ 91	100	108⅜	108⅞	−0⅜	+0⅛	10.75
Pru Realty secs 12⅛ 95	546	107½	108	−0¼	+1	10.76
Quebec Hydro 11½ 92	100	104	104½	0	−0¾	10.61
Ralston Purina 11⅞ 95	150	106	106½	−0⅛	+0¾	10.80
Ralston Purina 12⅛ 89	100	106½	106	0	+0⅞	10.00
Royal Bk Can 12¼ 92 XW	100	103⅛	103⅝	+0⅛	0	12.13
Saskatchewan 10 3/4 93	100	102¼	102¾	0	+0¾	10.18
Saskatchewan 11 7/8 89	100	105⅞	106⅜	−0½	+0½	9.75
Statoil 13½ 89	100	111½	112	−0¼	+0¼	9.83
S Wales Tray 11⅝ 90	150	105¼	105¾	−0⅝	0	10.22
Swed Exp Cred 10 92	100	98¼	98¾	0	+0¾	10.30
Swed Exp Cred 12¼ 89XW	100	108⅛	108⅝	−0⅜	+0½	10.10
Sweden Kingdom 10⅞ 90	200	102⅞	103⅜	−0⅛	+0⅜	10.01
Sweden Kingdom 11½ 89	200	105¼	105¾	−0¼	+0½	9.87
Sweden Kingdom 11⅞ 94	100	107⅜	107⅞	−0⅛	+0⅝	10.42
Texaco Capital 12¾ 07	800	106½	107	−0⅛	+0⅝	9.22
Tokai Asia 11½ 95	100	104⅛	104⅝	−0½	+0¼	10.75
Victorian Rep 11⅜ 92	150	104⅜	105¼	−0½	0	10.54
World Bank 12¾ 90	190	110¼	110¾	0	0	10.42
World Bank 12⅞ 94	200	113⅛	113⅝	−0⅛	0	10.51

Average price change... On day −0¼ on week +0⅜

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	104¼	105	0	+0½	7.29
Austria Republic 7⅝ 94	200	103⅝	104⅛	0	0	7.02
Baxter Travenol 7¼ 94	200	101⅛	101⅝	0	−0⅛	7.09
Credit National 8⅛ 94	200	104⅞	105⅜	−0¼	+0½	7.27
Degussa Int Fin 7½ 94	100	102⅞	103⅜		+0⅛	6.97
E.E.C. 8 92	200	104	104¾	+0⅛	+0⅛	7.13
E.I.B. 7¼ 94	300	100⅜	101¼	−0⅜	+0⅜	7.09
Escom 8 92	150	99¼	99¾	−0⅜	−0⅛	8.11
Ferrovie Dello Stato 8 91	100	102¾	103½	−0⅛	−0⅛	7.30
Finland Republic 7 92	200	99¼	100	0	+0⅛	7.06
Gould Int Fin 7⅝ 91	100	100⅞	103⅞	+0⅛	+0¼	6.87
Ireland 8⅛ 92	150	103⅜	104⅛	+0⅜	+0¼	7.40
Japan Fin Corp 7⅜ 91	100	102⅞	103⅝	0	+0⅛	6.94
Mitsubishi Hvy 3½ 89WW	300	127	128	+0¼	+0	−3.31
Mitsubishi Hvy 3½ 89XW	300	93½	94¼	−0⅜	+0⅛	6.32
Mitsubishi Met 3½ 89WW	100	100⅜	101⅝	−0⅜	+0⅛	2.05
Mitsubishi Met 3¼ 89XW	100	88	88¼	−0⅝	+1⅝	6.19
Pepsico O/S Fin 7¼ 94	250	103¼	104	0	−0⅜	6.68
Renfe 7¾ 95	100	101¼	101¾	−0⅜	+0¾	7.52
Renown 3⅛ 90	80	104½	103½	−0½	+0⅝	2.06
Reynolds O/S Fin 7⅝ 94	125	102⅝	103⅜	0	−0⅛	7.01
Societe Cent Nuclear 8 91	100	104⅞	105½	0	+0⅜	6.92
Sth African Tran 7⅝ 92	100	96¼	97	0		8.34
World Bank 7⅜ 89	100	102	102¾	0	0	6.98
World Bank 8 94	200	105⅝	106⅜	0		7.04

Average price change On day −0⅛ on week +0⅝

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 6¼ 94	100	† 101¾	102	+0¼	+0½	5.98
Avon Cap Corp 5⅝ 94	110	† 99	99¼	0	+0¼	5.48
Brit land Corp 6½ 99	75	† 103	103½	−0⅛	−0⅛	6.15
Council of Europe 6 92	120	† 101	101¼	+0¼	−0¼	5.80
Creditanstalt 5½ 94	100	† 98	98¼	0	0	5.78
Deutsche Bk Fin 5⅝ 95	100	† 101¼	101½	+0¼	+0½	5.18
E.I.B. 5⅞ 94	120	† 101	101¼	−0⅛	+0⅜	5.71
Export Dev Corp 5⅜ 92	125	† 99½	99¾	+0⅞	−0⅛	5.44
Gen Occidentale 4½ 94	80	† 102	102½	+0⅛	−0⅞	4.20
I C Industries 5⅝ 94	125	† 100	100¼	0	−0¼	5.60
Ind Fund Fin 5⅝ 94	40	† 100¼	100½	−0¼	−0¼	5.58
Int-Am Dev Bk 6⅛ 94	120	† 101¼	102	+0½	+0⅝	5.85
N.Zealand steel 5⅝ 90	70	† 98¼	98½	−0¼	−0½	5.94
Oberos Kitwk 5⅝ 95	100	† 98¾	99	0	+0¼	5.92
Ralston Purina 5⅝ 94	125	† 100	100¼	0	0	5.35
Santos Finance Ltd 6 94	130	† 99¾	99	+0½	0	6.16
Tokyo Elec Pwr 5½ 93	120	† 100	100¼	−0⅛	+0½	5.47
Tokyo Metropolis 5⅛ 94	80	† 98½	98¾	−0¼	0	5.44
World Bk 5⅝ 94	150	† 101½	101¾	+0½	+1⅜	5.52

Average price change On day +0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria Republic 7 95	30	100½	101	+0¼	+0½	6.88
BP Overzee 7 92	17	100⅞	101⅜	+0⅛	+0⅜	6.78
Finland Republic 6¾ 90	15	99⅞	100⅜	+0⅛	+0⅜	6.71
Mort Bk Denmark 7 92	10	100⅜	100⅞	+0¼	+0⅝	6.88
World Bank 6⅝ 90	25	99⅞	100⅜	0	+0⅜	6.58

Average price change On day +0⅛ on week +0½

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 13¼ 90 SA	40	102⅞	103⅞	0	+0⅜	12.27
Avco Fin 14 90 SA	35	103⅜	104⅜	+0⅛	+1½	12.88
BT Aust 13⅝ 92 SA	40	103¼	104¼	+0⅛	+0⅛	12.96
Westpac 13¼ 88 SA	50	104⅝	105⅝	+0⅛	+1⅜	11.21
British Columbia 12 00 C$	125	† 104	104½	0	0	10.78
Can Nat Rail 12½ 00 C$	100	† 106	106½	0	+0¼	11.38
Chrysler Cred 12⅝ 92C$	80	† 104	104½	−0⅛	+0⅜	11.88
Desjardins 12½ 90 C$	60	† 103½	104	+0⅜	+0⅜	11.43
Genstar Fin 11¾ 95 C$	75	97⅜	97⅞	−0⅛	+0⅛	12.17
New Brunswick 12⅝ 89C$	75	† 102¼	102¾	−0¼	+1	11.19
Shell Canada 11¼ 92 C$	75	101⅝	102⅛	−0¼	+0⅜	10.96
Nordic Inv Bk 10 90 NS	30	100⅛	101⅛	−0¼	+0⅜	15.75
NZ Forest 15¾ 92 NS	30	96¼	97¼	0	0	16.46
Woolworth 16¼ 01 NS	25	98¾	100¼	−0¾	−1½	16.39
N.Z Govt. 9¼ 90 ECU	100	101¾	102¼	+0¼	+1¾	[illegible]
N.Z Govt. 9½ 92 ECU	100	102¾	103¼	+0⅜	+2½	[illegible]
Rabobank 9⅝ 00 ECU	75	105¼	106	+0⅝	+1½	8.74
Eurofima 7½ 92 FL	50	101½	102	0	+0⅛	7.15
Philips Lamps 7½ 90 FL	100	101⅞	102⅜	0	+0¼	[illegible]
Rank Xerox 8 00 FL	100	104	104½	0	+0½	[illegible]
Van Lanschot 7½ 90FL	50	102	102½	0	+0⅜	[illegible]
World Bank 7½ 90 FL	150	102	102½	0	+0¼	[illegible]
Gaz de France 11¼ 00FF	500	100	100½	0	+0⅛	11.28
Amer Express 11⅝ 92 £	30	103¾	104¼	0	+0¼	10.49
Australia Comm 11 92 £	40	99⅞	99⅞	+0¾	+0⅞	11.05
BP Capital 10⅞ 92 £	50	99½	99	+0⅛	+0¼	10.98
E.I.B. 11⅛ 93 £	50	100⅞	101⅜	+0⅛	+0⅛	11.17
Imp Chem Inds 11¼ 00 £	75	100⅛	100⅝	+0⅛	+0⅛	11.17
Inco 12¾ 93 £	50	103	103½	0	−0⅛	12.03
Mcdonalds 10⅞ 00 £	40	98	98½	+0⅛	0	11.06
Norsk Hydro 11⅝ 91 £	50	101¾	102¼	0	+0⅛	11.10
Privatbanken 11⅞ 92 £	30	102⅛	102⅝	0	−0⅛	11.70
Rank Xerox 11 92 £	40	99⅛	99⅝	0	+0⅜	11.11
Royal Trustco 11⅝ 00 £	30	100⅜	100⅞	+0⅛	+0⅜	11.16
Ster Drug Cap 10⅞ 00 £	30	99⅛	99⅝	+0¼	+0⅝	11.02
Swed Exp Cred 11⅜ 92 £	50	100⅝	101⅛	0	+0⅛	11.15
Trusthouse Forte 11⅞ 90£	50	98⅜	98⅞	+0⅛	+0⅞	11.49
World Bank 11¼ 95 £	100	102⅛	102⅝	+0½	+0¾	10.83
E.C.S.C. 10½ 94LF	100	103¼	104¼	+0¼	+0⅛	9.52
Nat Lux Alum 10½ 92 LF	600	103⅝	105⅞	+0⅛	0	9.28

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
B.B.L. Int 5 99	0⅛	100⅜	100⅝	11/10	9⅝	9.58
Banco di Roma 5¼ 93	0	99⅜	99⅝	24/8	7.88	8.02
BankAmerica O/S 5¼ 96	0⅛	99⅞	100⅛	28/8	8.81	8.81
Bank of Montreal 5 90	0⅛	100½	100¾	29/7	8¾	8.70
Bankers Trust 5 2000	0	99½	99¾	11/8	8.81	8.85
Bankers Trust 5¼ 95	0⅛	100⅜	100⅝	13/8	8.56	8.54
B.F.C.E. 5¼ 89	0⅛	100½	100¾	13/9	10.06	10.00
B.N.P. 5¼ 95 (July)	0¼	100	100¼	22/7	8⅛	8.11
C.C.F. 5⅛ 97	0	99½	99¾	22/9	10⅝	10.66
Chase Man'tn 5¼ 2009	0⅛	99⅞	100⅜	5/8	8.88	8.88
Citicorp O/S 5¼ 95 Sep	0⅛	99⅝	99⅞	19/12	11.19	11.22
Credit Lyonnais 5¼ 96	0⅛	100⅝	100⅞	11/10	8.88	8.82
Dresdner Fin 5⅛ 89	0	99⅞	100⅛	25/8	8⅝	8.34
Ireland 5¼ 97	0	100¼	100½	28/10	8.88	8.85
Ireland 5¼ 99	0	102½	102¾	14/8	10	9.84
Italy Republic 5 94	0⅛	100¼	100¾	12/11	8⅞	8.83
Lloyds Euro 5 2004	0⅛	100⅛	100⅜	18/10	8⅛	8.10
Midland Bank Perp 5	0¼	99½	99¾	19/8	5	5.02
Nat West Perp 5	0⅛	100⅞	101⅛	13/11	8⅛	8.03
Nat West Perp A 5¼ S	0¼	99⅜	99⅝	9/7	5¼	5.28
Nat West Perp B 5¼ S	0¼	99⅛	99½	9/8	5¼	5.28
Queensland Coal 5¼ 95	0¼	100½	100¾	15/11	8	8.94
Roy Bk Scot 5¼ 2005 £	0	99	99¼	2/8	12.81	12.93
Sweden Perp 5¼	0¼	100⅛	100⅜	9/7	9.44	9.41
Tokai 5¼ 89	0¼	100⅝	100⅞	12/8	8.94	8.88

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	103⅜	104⅝	+0	3.87
Fanuc 3¾ 98	1/84	7032.3	142½	144	−1¾	33.14
Fujitsu 3 99	5/84	1320.9	81¾	82¾	−1⅜	13.98
Kumagai Gumi 3½ 2000	3/85	800	127⅛	128⅛	+3⅛	6.44
Marui 3½ 00	7/84	1162	106⅜	107⅜	+1⅜	4.48
Mitsubishi Elec 2⅞ 00	3/85	422	94¾	95	+0¼	−0.57
Murata 3½ 99	2/84	2351.2	89⅝	90⅝	−0¾	22.71
Murata 3½ 2000	7/84	2398	80½	81½	−0¾	25.50
Nippon Elec 2¾ 2000	1/85	1295	82¾	83¾	+0¼	6.35
Nippon Oil Co 3 2000	5/85	923	107½	108½	+0½	2.46
Nippon Oil Co 3¼ 99	5/84	1052	98¼	100½	+1¾	17.33
Oki Elec Ind 3½ 99	10/84	805	80⅛	81⅛	0	27.27
Orient Leasing 5¼ 98	6/83	2680	113¾	115¼	+0⅞	−1.46
Sekisui House 3 99	8/84	812	118⅞	119⅞	0	3.21
Sony Corp 2 2000	5/85	4578	96½	97½	−1¼	−1.90
Sumitomo Corp 2⅝ 99	5/84	593	126⅜	127⅜	+2¼	0.84
Taiyo Yuden 3¼ 2000	3/85	1078	87¾	88¼	−0⅝	−1.28
Takeda Riken 3⅛ 2000	10/84	7868	81	83	−0¼	31.08
Tokyo Sanyo Elec 3½ 95	12/84	772	93⅛	94⅝	+0¼	1.81
Toshiba Ceramics 3 2000	4/85	1734.2	77	78	+0¼	7.88
Nippon Oil Co 2⅝ 92 SF	3/84	1052	† 108	105½	−0½	8.25
Nippon Shinpan Co 2 92 SF	3/84	801	† 104	104½	−0½	12.45
Asics 3 92 DM	12/83	520	103⅞	106⅞	0	20.87
Sum Realty 6¼ 92 DM	2/83	338	† 310	311	−7½	−4.32

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (†† three month; ‡ above mean rate) for U.S. dollars. C.cpn. = current coupon. Cu. yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

CITICORP—THE LEADER IN SWAPS

In April and May alone, Citicorp Investment Bank completed 112 swaps, of which the following are representative:

$100,000,000
The Procter and Gamble Company
Seven Year
Interest Rate Swap
Citibank, N.A. initiated and arranged this transaction.
CITICORP INVESTMENT BANK

SFr 150,000,000
News Group Publications, Inc.
Nine Year
Currency Swap
Citibank, N.A. arranged and negotiated this transaction.
CITICORP INVESTMENT BANK

$75,000,000
The Goodyear Tire & Rubber Company
Two Year
Interest Rate Swap
Citibank, N.A. initiated and arranged this transaction.
CITICORP INVESTMENT BANK

£50,000,000
The Mitsubishi Bank Ltd.
Five Year
Currency/Interest Rate Swaps
Citicorp Investment Bank Limited initiated and arranged this transaction.
CITICORP INVESTMENT BANK

A$10,000,000
Pioneer Concrete Services Limited
Three Year
Interest Rate Swap
Citicorp Capital Markets Australia, Limited initiated and arranged this transaction.
CITICORP INVESTMENT BANK

£20,000,000
The Coca-Cola Company
Five Year
Currency Swap
Citicorp Investment Bank Limited initiated and arranged this transaction.
CITICORP INVESTMENT BANK

$20,000,000
Commercial Bank of Korea
New York Agency
Two Year
Interest Rate Swap
Citibank, N.A. initiated and arranged this transaction.
CITICORP INVESTMENT BANK

$25,000,000
International Finance Corporation
Ten Year
Interest Rate Swap
Citibank, N.A. arranged this transaction.
CITICORP INVESTMENT BANK

$43,000,000
Saga Petroleum A.S.
Five Year
Interest Rate Swap
Citicorp Investment Bank Limited initiated and arranged this transaction.
CITICORP INVESTMENT BANK

ECU/$20,000,000
Nordiska Investeringsbanken
Five Year
Currency/Interest Rate Swap
Citicorp Investment Bank Limited initiated and arranged this transaction.
CITICORP INVESTMENT BANK

¥5,000,000,000
Nissan Motor Acceptance Corporation
Three Year
Currency Swap
Citibank, N.A. initiated and arranged this transaction.
CITICORP INVESTMENT BANK

$50,000,000
Development Finance Corporation of New Zealand
Ten Year
Interest Rate Swap
Citicorp Investment Bank Limited initiated and arranged this transaction.
CITICORP INVESTMENT BANK

SM Citicorp Investment Bank is a servicemark of Citicorp.

CITICORP INVESTMENT BANK

Rise in operating costs at Consolidated Gold Fields

BY GEORGE MILLING-STANLEY

THE OPERATING costs of the South African gold mines in the Consolidated Gold Fields group rose steeply in the three months to June 30.

The largest increase was of 14 per cent at the East section of the big Driefontein Consolidated complex, closely followed by Kloof, the highest-grade mine in the country, with a rise of 13 per cent.

Libanon, Doornfontein and the veteran Venterspost all showed rises of between 7 and 10 per cent, and only the young Deelkraal was able to contain the rate of increase to under 5 per cent.

While this trend is disturbing in view of the fact that the mines will not feel the full impact of the latest wage awards until the current quarter, the wage round is in fact largely to blame for the latest cost increases.

As part of the proposed settlement with black workers, Gold Fields has had to make a provision of R10m ($5.08m) towards the cost of holiday pay, while the 11 per cent awarded to white miners was payable from May 1, and has also affected the figures.

This goes some way towards explaining the cost increases in the past quarter, but the picture is likely to look even worse when the mines report on their performance in the three months to the end of September.

It is generally accepted that the 500,000 blacks working in the industry will settle for rises of around 19 or 20 per cent, so that the increase in labour costs alone can be expected to add something like 7 per cent to operating costs, aside from the continued impact of South Africa's high rate of domestic inflation of some 16 per cent a year.

GOLD MINE NET PROFITS

	June qtr R000	Mar qtr R000	Dec qtr R000
Deelkraal	12,802	15,552	13,039
Doornfontein	18,299	15,497	17,125
Driefontein	122,207	111,154	109,728
Kloof	57,513	57,579	56,786
Libanon	13,737	12,816	12,030
Venterspost	3,427	5,799	4,774
Vlakfontein	643	785	940

The rise in working costs was largely responsible for reduced profits from gold mining operations at all of the mines in the Gold Fields group, coupled with a slight reduction in the overall gold grade of ore mined and a consequent decline in gold output.

In addition, the continued weakness in the rand against the U.S. dollar ensured that the gold price advanced to a new all-time high in local currency terms, although the rate of increase has slowed a little from the past few quarters.

In most cases, however, lower tax charges arising from increases in allowable capital spending compensated for the decline in gold income, with the result that net profits were mostly a little higher than in the first quarter of 1985.

Deelkraal was an exception, with lower profits as this young mine has no tax charge against which to offset its heavy capital spending.

The latest net profits are compared in the accompanying table.

G. J. Coles in A$970m offer for Myer

By Lachlan Drummond in Sydney

G. J. COLES of Australia yesterday launched a A$970m (US$658m) takeover offer for Myer Emporium, a rival stores group. If successful it would leave the combined operation with 20 per cent of the country's retail sales.

Myer made it clear it would fight the move, saying that in recent talks with Woolworths, another retail chain, the possibility of a takeover offer in either direction had been discussed, a step Coles is attempting to pre-empt.

Coles, the nation's leading retailer with expected annual sales of A$6.1bn and 13 per cent of total retail sales, is in a position to block any full takeover of either Myer or Woolworths. This week the company spent A$150m buying a 22 per cent holding in Myer's ordinary shares and earlier this year paid out A$50m to gain 10 per cent of Woolworths.

Woolworths, with sales of A$3.8bn in the year to January 31, is number two in Australia and competes most directly with Coles as a supermarket operator. It is not related to the UK or U.S. groups of that name.

Myer, with sales of A$3.2bn in the same 12 months, is a departmental store operator—both discount and up-market—and would complement either Coles or Woolworths by extending their retail coverage.

The neatness of the fit between the heavily food-biased Woolworths and the essentially non-food retailing business of Myer—plus the potential benefits from merging their individual discount department store divisions—lies behind the Coles move. Mr Bevan Bradbury, the Coles chairman, said his company's potential vulnerability and rumours of a Myer-Woolworths link had sparked its action.

The Coles bid for Myer shares and convertible loan stock is either A$3 cash, or one of its shares and A$2.30 cash, for two Myer shares. The latter option values Myer at almost A$3.10 a share at yesterday's closing price for Coles. The bid price compares with the closing Myer market price of A$2.80.

The Myer share price has been driven up in the past week from around A$2 by heavy defensive share buying which now sees almost half of its shares in the hands of Myer family interests or interests associated with directors.

Coles has reached its pre-eminence mainly through the success of its K Mart operation in the past two decades. K Mart of the U.S. has 20 per cent of Coles

Japanese shipbuilders in retrenchment moves

BY YOKO SHIBATA IN TOKYO

TWO FURTHER pointers to the recession in Far Eastern shipbuilding emerged yesterday with the announcement of a restructuring by Nippon Kokan (NKK) of its heavy machinery division and the closure of the Mitsubishi Heavy Industries (MHI) joint venture ship repair yard in Singapore.

NKK, a major Japanese shipbuilder which is also the country's second largest steel manufacturer, is to shed 1,000 jobs at its heavy machinery division by the spring of 1987 due to the poor scope it sees for the expansion of its shipbuilding business.

The workforce in the division stands at 7,600. At the same time the company has reformed the sector into three units—engineering (1,500 workers), the machinery division (500) and marine and steel structures (5,600).

MHI has meanwhile decided to withdraw from the shipbuilding business of its joint venture with the Singapore Government, Mitsubishi Singapore Heavy Industries (MSHI), and reduce the size of the venture in Singapore.

As a measure to revamp MSHI, which had been chronically in the red, Mitsubishi group companies have reached a basic agreement with Singapore to close the 400,000 tonne shipyard. It is to cut the workforce there from the present 520 to below 100.

The MSHI stake held by the Singapore Government will be bought back by the Mitsubishi group. MSHI will engage in machinery-related work including subcontracting on plants.

The Japanese shipbuilding industry has been suffering from a prolonged recession amid a downturn in crude oil shipments.

● Mitsubishi Corporation and its 83 consolidated subsidiaries lifted net profits by 20.1 per cent to Y32.14bn ($130.7m) in the year to March, on turnover of Y17,221bn, up 8.9 per cent from the previous year. Net profits per share were Y22.87 compared with Y19.08. Exports advanced 5.1 per cent to accouunt for 16.5 per cent of the total, largely because of strong shipments of steel and steel pipes to the U.S. and electrical goods to China.

Domestic business centring on cars and steel construction steel-materials rose 7.7 per cent to account for 35.6 per cent of turnover.

Sanyo Electric interim profits ahead by 28.5%

By Carla Rapoport in Tokyo

SANYO ELECTRIC, one of Japan's leading electric appliance companies, yesterday reported a 28.5 per cent increase in pre-tax profits for the six months to May. However, foreign exchange gains and improved returns on investments were major contributors.

Sales were up by 14.3 per cent to Y519bn ($2.2bn) while pre-tax profits were 28.5 per cent higher at Y32.9bn. Net profits advanced 10 per cent to Y14.6bn while earnings per share dropped to Y12.94 from Y13.25. Nevertheless, the group pushed up the interim dividend to Y4 from Y3.50.

Sales of television sets and video cassette recorders showed the best advance, up 22.9 per cent, helped by increased exports to the U.S. and China. Audio equipment advanced by 13.8 per cent, while home appliances registered an 8.3 per cent increase.

An increased emphasis on marketing and sales contributed to a 15 per cent increase in operating costs to Y451bn and operating profits were up by only 10 per cent to Y15bn.

For the full year, Sanyo predicts that sales will top Y1,000bn, with pre-tax profits at Y61bn and net profits at Y29bn. The dividend total is expected to be Y8.

Asset disposals boost Fraser and Neave

By Our Financial Staff

FRASER AND NEAVE, the Singapore soft drinks maker, was able to boost attributable earnings in the year to March primarily because of asset disposals.

Pre-tax profits were ahead a bare 0.2 per cent at S$55m (U.S.$24.6m) while a lower tax charge allowed an advance at the net level to S$35.5m against S$32.6m. Extraordinary gains were accrued, however, from the sale of unspecified investment holdings, and the final result was 30.2 per cent higher at S$60.1m.

Turnover totalled S$241.8m compared with S$231.9m, in part reflecting a second-half improvement in previously poor demand

The dividend is being maintained at 20 cents a share gross for the year. Net earnings were 28.2 cents per share against 25.9 cents.

INTL. COMPANIES & FINANCE

German transformer makers fail to deal with overcapacity

BY PETER BRUCE IN MANNHEIM

THE WEST GERMAN headquarters of Brown Boveri (BBC), the Swiss-owned electrical plant producer, dominates industry here. Some 13,000 people pass through the gates every morning, contributing to sales last year of DM 3.5bn ($1.15bn) and net profits of DM 23m. About 600 of the *Mannheim staff make their way* to a complex of undistinguished buildings to begin a day's work on products for one of the oldest technologies still supplied by the plant.

They are a little special, these 600 people, because they build large power and distribution transformers. If ever there was an industry in trouble in West Germany—and at the moment there are not many—this is it.

In the space of just 15 years, the West German transformer market has collapsed. In the boom years after the war it was the biggest in Europe. Domestic orders, measured in performance terms, have slumped from nearly 45,000 mva (million volt-amperes) in 1970 to 16,000 mva a year. Predictions are that the domestic market could fall further, to around 9,000 mva.

BBC could just about produce that on its own in Mannheim but there are nine other German prodncers, none of wbom, it seems, shows much interest in getting out of tha business.

Herr Werner Schmidt, director of the transformer producers' association, estimates that his members are probably working at around 40 per cent below capacity in the larger, normally profitable, ranges.

There is no salvation in sight. "This is not a business that will make you rich," says Herr Wolfgang Laux, general manager of BBC's transformer division. "The best you can hope for is that tha market stagnates."

Although some local transformer producers would quibble with Herr Schmidt when he claims that "none of my members are making money," most of them do not bave to prove him wrong. The merket leader, Transformatoren Union, established in the early 1970s by Siemens and AEG as e sister company to Kraftwerk Union, their nuclear power plant joint venture, bas not reported profits since 1979-80.

Herr Schmidt and some producers became so nervous about the industry last year that they tried to form a "crisis cartel," winning support from the government which, it was hoped, would allow some producers to bow out gracefully. The attempt failed.

Conventional wisdom has been that the smaller manufacturers refused to play along, fearing they would be swamped in the cartel by the majors. But it seems more likely that neither BBC nor Sweden's Asea, which produces transformers at two locations in Germany, were very keen.

The fourth of the large producers, SGB, a subsidiary of the country's biggest electricity ntility, Rheinisch-Westfalischan Elektrzitatswerk (RWE), is used as a prime source of equipment by its parent and was probably a non-starter as well. "Does one solve business problems with a cartel?" asks Herr Laux at BBC. "No."

There seems littla doubt that the cartel was aimed at persualing the smaller four or five producers to abandon the industry, hut the choices facing them were more stark than those facing producers with, for instance, more than one plant.

By the time the cartel was being seriously mooted, at least some of the major producers thought they bad found a way round the declining orders at home and had begun exporting in earnest. Government statistics show, for instance, that in transformers using fluids (mainly oil) as an insulating agent (most large transformers are both insulated and cooled in this way) export values rose from DM 102m in 1074 to DM 464m in 1982.

This dependence on exports, Herr Schmidts says, still exists, although 1984 sales ahroad fell to DM 264m. As major international electrical plant contractors, Siemens and AEG, BBC and Asea have been ahle to tie their own transformers into plant contracts. BBC says a third of its total transformer sales are now tied to major BBC contracts, while a further third are exported as single units.

The competition abroad, bowever, is also beginning to prove heavy, with Japanese producers making deep inroads into traditional European export markets and with the oil producing third world countries, normally big buyers, being tempted away by Japanese prices. The Japanese producers made their mark in the international markets by virtually destroying the lucrative South African market for the high cost Enropeans.

There is not much the Europeans, or Germans, can do. "You can't win market ahare by developing new products in this business," says Herr Schmidt. "Transformers may have the advantage of being irreplaceable, but their function has not changed since they were invented."

> In the space of just 15 years the West German transformer market has collapsed. In the boom years after the war it was the biggest in Europe. Domestic orders, measured in performance terms have slumped

China is emerging as a potential, if temporary, saviour, but the U.S. market, as Asea spelled out in its 1984 annnal report, has becoma "severely depressed."

Most producers agree that the only way to stop the rot in Germany is to cut capacity, but both BBC and Asea claim they are profitable in transformers or, in BBC's case, at least not losing money. *Cutting capacity* is difficult anyway, since transformers are not made on production lines and usually involve an enormous amount of skilled handwork in assembly.

"We can go on like this," says Herr Schmidt. "But it can't be the goal of an industry to lose money or just make a little. If something is not done, then the cancer will grow."

"In the long term some plants will have to be closed," aays Mr Göran Lindahl, general manager of Asea's international transformer business. But like many colleagues in the indnstry, be sees overcapacity as an international problem and means that someone elsa is going to have to close, not Asea. "We are satisfied wilh our German operations," be says. "We are in the market and we want to stay there."

Asea has probably been saved by a long running group-wide commitment to strict rationalisation measures. "Some countries and companies started to do something about their capacity problems earlier," he says.

Herr Schmidt, ecboing the same point, concedes that the German producers "look on with envy at wbat the British bave done." Hawker Sidderley and GEC are the only two remaining major British transformer producers, the result not so much of a structured thinning out of the industry but of spontaneous withdrawals and takeovers with wbich West Germany's large-scale manufacturers seem extremely uncomfortable.

Trafo-Union, in whicb Siemens now bas a 75 per cent stake following AEG's restructuring, is trying to close an entire works in Stuttgart. It has run into serious difficulties with its unions, whicb bave succeeded in delaying closure for almost a year. The company's future looks perilous. Its Berlin-based transformer subsdiary, Volta, is also losing money but cannot be closed because of the political considerations involved, while sales at its Brazilian subsidiary have begun to fall beavily.

Siemens will probably stand hy Trafo-Union, but the unknowns facing the German industry as a whole must be very unsettling. Energy saving measures bave severely cut down on power usage at home. hy the time the dollar begins to work in favour of the old third *world importers, the Japanese* may have establisbed an immovable foothold. Worst of all, Wolfgang Laux at BBC knows that the transformers he has been putting together in Mannheim now—not one for a German customer—have a life expectancy of up to 50 years. The spares husiness is horrible.

TRANSFORMATOREN UNION

	1984*	1983
	Dm.	Dm.
Turnover	427m	482m
Losses	140m	68m
Orders	378m	445m
Capital spending	10m	12m
Workforce	3,400	3,800

* Year ended September.

Flexibility keeps Royal Dutch/Shell in good shape

BY IAN HARGREAVES

ROYAL DUTCH/SHELL has always been the oil company which should not work. Governed by a tangled matrix of committees divided between the sleepy Hague and London's concrete South Bank, even Shell veterans have difficulty in explaining how the company functions. Genetically, a hybrid of Dutch dourness and English class-consciousness, Shell has a slightly musty image; reliable, but a bit dull.

"Our shares sell at a lower price-earnings ratio than the record justifies," says Mr Peter Holmes, historian, mountaineer, photographer, skier, astronomer, amateur geologist and newly installed chairman of Shell Transport and Trading, the UK-based company which makes up 40 per cent of the group. "We are foreign. We are complicated."

The other 60 per cent is Royal Dutch, headed by Mr Lo van Wachem, who in line with the company's unswerving tradition of alternating national leadership, has just succeeded Sir Peter Baxendell as chairman of a committee of seven managing directors, which is the group's top executive team. Mr van Wachem is a mechanical engineer and like Mr Holmes, he has worked only for Shell.

In some respects, Shell has been a bystander during the Wall Street turmoil precipitated by Mr Boone Pickens. Because of its complex parentage and its size—second only to Exxon—Shell is more or less invulnerable to takeover, and although its shares trade at a larger discount to asset value than Amoco or Exxon, it has shown no interest in boosting shareholder values by buying its own shares. Partly this reflects technical difficulties, but the group has also made a conscious decision that it prefers to spend its constantly replenishing cash mountain on other things.

"There are so many opportunities, it's difficult to choose between them," says Mr Holmes. In the last 18 months, the company has paid $5.5bn for the 30 per cent of the U.S.-based Shell Oil it did not already own, and earlier this month it agreed to pay Occidental $1bn for half of Oxy's interests in a billion-barrel oilfield in Columbia.

"We are only at the beginning of this industry restructuring, particularly if the oil price is going down further," says Mr Holmes. If real oil prices do slip, he argues, highly geared companies (like Texaco, Mobil, Chevron and Arco) "are going to be under pressure to sell off good assets because in a buyer's market, it's difficult to sell anything but good stuff." Shell also recently bought 400 of Arco's U.S. petrol stations.

A man of many metaphors, Mr Holmes adds: "We are in for a storm and you have to be in good shape for that rough passage. No-one in the whole industry is in better shape than Shell."

This air of expectancy, even schadenfreude, seems to run through the senior ranks at Shell. "This is an organisation that is beginning to have a lot of fun," says Mr Bill Bentley, co-ordinator for oil supply and marketing.

There is no doubt that Shell is different. Historically lacking large Middle East reserves, the company was obliged to diversify both its supply lines for crude oil purchases and to broaden its geographical search for oil.

Prior to the first oil shock, Shell had made itself an aggressive, fleet-footed marketer and refiner, in part by decentralising to local management operational control of the company's more than 100 national operating affiliates. Lacking a strong flow of in-house crude, Shell managers were taught the basic lesson of looking for the best deal and ensuring that their refineries were flexible enough to handle any type of crude.

These downstream virtues have multiplied in the last decade, as the company had doubled to 140 the number of crude types its refineries can handle and has fine tuned its trading organisation, Shell International Trade Company (Sitco), which was formed as a separate profit centre in 1974 to help Shell group companies find the cheapest source of feedstocks.

Today Sitco trades about 1.4m b/d of crude (compared with the group's output of 1.6m b/d from its own oil wells) and over 250,000 b/d of oil products. Only just over half of Sitco's business, however, is with Shell companies, since the affiliates are told to buy elsewhere if they can find a better price. All told, Shell ran over 3m b/d of crude through its refineries last year.

"The key reason this funny animal called Shell works is decentralisation," says Mr Holmes. "That is what has helped us through a period of falling oil prices, because the marketing companies decide what feedstocks they're going to buy. We don't tell them anything. We give them advice and they are judged on their results."

The bottom line is that although Shell's refineries, like everyone else's have been under employed, averaging only 73 per cent of capacity in the last five years, they have made money, albeit at what Mr Holmes classes a "truly terrible" rate of return—somewhere between 6 and 8 per cent post tax. Outside the U.S. last year, Shell earned more dollars, including loss-making tanker operations, than the U.S. majors combined.

"The game goes to the guy who can do better than the rest of the industry," says Mr Bentley. The reasons for Shell's superior performance? Geographical spread, wider even than Exxon; decentralised oil supply; strong market shares, typically over 10 per cent, in key areas; and technical edge, typified by the company's latest proprietary development, a refining technique called Hycon, capable of reprocessing the sludge from the bottom of existing state of the art refineries and producing still more gasoline and other valuable light products. Hycon is currently being installed, at a cost of £350m, at Shell's Pernis refinery in the Netherlands.

Upstream, Shell has also made itself into a strong company and remains a little peeved that this is not always recognised. Its proven oil and gas reserves, on a rising curve for three years, are only fractionally smaller than Exxon's although its upstream capital spending of $5.3bn is below Exxon's almost $7bn.

In the U.S., Shell Oil's finding costs rank with the best in the industry and in the rest of the world, the group claims that its all-in finding cost has descended from a peak of over $5 a barrel in 1978 to less than $2 last year. This partly reflects not a sensational series of lucky strikes, but the vigour with which the company has worked to identify additional reserves in existing oilfields through techniques of secondary and tertiary recovery. Arguably, however, Exxon's reserves are more conservatively stated than Shell's.

Peter Holmes (left) chairman of Shell Transport and Trading and Lo van Wachem who heads Royal Dutch

Shell thus finds itself in, perhaps, the strongest position of any major oil company. Not a member of the Arabian Americal Oil Company, Shell does not share in today's Aramco disadvantage in the price of Saudi crude, just as it failed to benefit from the Aramco price advantage in the early 1980s. Because it is not U.S.-based, Shell is also insulated against the Pickens beat, and arguably therefore able to pursue longer range goals with greater tranquillity. Although Shell has a loss-making metals business, now undergoing rationalisation, and an inadequately profitable coal operation, the company has also avoided grave errors of diversification.

So if Shell has problems, they are by definition relatively smaller than those of some competitors and essentially those which beset tha industry in general: how to cope with low growth in oil demand—less than 1 per cent a year in tha next five years in Shell's view; overcapacity; a weakened Opec and the industry's increasingly awkward image, some would say of being a sunset industry.

"We are a middle aged company in a maturish industry, so we have all the more reason to work at keeping fit," says the vigorous Mr Holmes.

Shell also has to work harder these days because its once crude-rich competitors, who in the 1960s paid less attention to efficiency downstream, are now very much up with Shell's game. Shell no longer has a uniquely light refined barrel and most of its competitore hava also now pulled out of the decimated fuel oil business. Indeed, following rapid expansion of complex refining facilities in the oil producing countries, there is now a serious surplus of product upgrading capacity in the world as well as of basic oil distillation units.

So the basic, hard questions apply to Shell as much as to the other big oil companies. Is it wise to be investing further in this business, given the combined outlook of overcapacity, weak demand and falling real prices?

Mr Holmes's basic answer to this question is that as much oil will be used in the world in 50 years' time as today, so that a company which can increase its share of the business has a growing operation. And in the meantime there may be some improvement in prices, even though Shell is not counting on it.

Mr John Jennings, head of Shell's upstream activities, is prepared to contemplate a nastier possibility: that the industry could face 10 years of weak demand and falling prices and that during that time there could be a technological breakthrough which would structurally undermine oil demand—something like a hydrogen powered car. "I don't know the answer. But I think it's a good question to ask," he says. Meanwhile, however, Mr Jennings eays Shell is setting and achieving return on investment criteria for upstream projects which are unchanged from tha 1980 price boom.

Because it is financially strong, although not so low-geared as cash-rich Exxon, the predominant strategic thought within Shell is to stay flexible, in order to take edvantage of opportunities. On the evidence of interviews with half a dozen senior executives, these appear to be the highlights of current thinking:

● Refining: There will be more cuts (a large scale closure in Curacao is currently under negotiation); heavy R and D spending and, like the rest of tha industry, a continuous assault on costs.

● Marketing: Shell is evidently about to make a major and significant push to achieve sharper brand identification, especially in the petrol market. Sales promotion in this area became unfashionable and, in some countries, illegal during the oil supply crises. In a glut, Shell plans to use its name and its reputation to deal with tha competition from independents and state oil companies. "Product differentiation is the answer to the new competition," says Mr Bill Bentley.

● Exploration and production: Shell will add to its reserves by working its existing fields harder (half its additions to reserves in recent years have come from revisions rather than new discoveries); by asset acquisitions and; perhaps, by corporate takeovers. The technical emphasis is upon advanced seismic exploration techniques and methods for extracting more oil from existing fields. Gas, which represents half of Shell's upstream, will remain critical and the company expects to be producing from its huge Troll field in Norway by the mid 1990s. Some projects on the drawing board, such as the £2bn Gannett field in the North Sea, would however not be commercial if the oil price fell below $20 and looked like staying there.

● Trading: Sitco is considering adding two more regional offices to its product trading network. The most difficult task, eaye Mr Silvan Robinson, head of Sitco, is to maintain good links with oil producing countries like Mexico and Saudi Arabia at a time when they are pricing their oil at uncompetitiva levels.

● Diversification: Shell has ruled out billion-dollar-plus diversifications, but is still prepared to advance at a more gingerly pace into what it calls "learning platforms." An example is forestry, where Shell has operations in three countries.

● Coal and metals: "on hold for the time being, to make them fitter," says Mr Holmes. The coal strategy has been to secure 10 per cent of the international trade in steam coal by a mix of equity production and middleman trading. Having reached that goal, the division is now trying to reduce costs. Part of its troubled U.S. operation, originally seen as a major export base, is being forced to restructure. U.S. coal has been shut out of world markets by the strong dollar.

● Marine: having been reluctant to abandon its role as a major tanker company—Shell used to ship all its own oil—the company is at last selling ships, especially big ones, as fast as it can. Following a consultant's study, it has decided to sell all its VLCC fleet and to concentrate on a core fleet of around 40 vessels below 120,000 dwt. Shell has sold 11 vessels already this year and has also recently, for the first time, bought second-hand ships. "Some Far East owners make most of their money from buying and selling vessels at the right time. We hava to look at these possibilities with conviction," says Mr Juan Kelly, head of the marine division. Mr Kelly is also re-examining the wisdom of Shell's still quite recent decision to expand into coal carriers—the spot market may be a cheaper and equally reliable source of tonnage.

● Shell Oil: the takeover was deeply resented by many Shell Oil executives, who feel their autonomy and incentive to perform has been undermined. Shell leaders, however, have guaranteed there will be no changes in Shell Oil's senior management or its operational autonomy. Only time will tell whether Shell Oil's hitherto strong performance is weakened by the changes. The group is now also examining which of its other U.S. activities—such as chemicals and coal—should be handed over to Shell Oil. The likelihood is that most of them probably will be. Shell Oil could also be an acquisition vehicle.

● Chemicals: Shell, which had a 10 per cent share of the West European ethylene market, has closed down 25 per cent of its capacity. It hopes that its costs in the highly competitive commodity petrochemicals sector are now tight enough to enable it to survive a cyclical downturn without catastrophe. One key to cutting costs has been to reorganise refinery and petrochemical sites to take advantages of mutual efficiencies. Chemicals, which used to be uncharacteristically centralised for Shell, is now aiming for decentralisation in what is Shell's most geographicaly far-flung business, with operations in all but four countries in the world. The group also plans to grow in some smaller markets—notably oil additives, oilfield chemicals, catalysts, agrochemicals, seeds and fine chemicals.

● Finance: Shell is content with its long-term debt to equity ratio of 21 per cent. Even after the Shell Oil and Occidental deals, the group has over £4bn in cash.

Surveying these horizons, it is evident that Shell has made its mistakes. It misread both the chemicals and tanker markets, for example, and in the latter case is still, rather belatedly, extracting itself from tha mess.

But overall, it is difficult to disagree with Mr Holmes's claim that in a falling oil market where tha premium is upon speed of response, Shell has made itself the company to watch. It is unlikely ever to be the most popular oil stock on Wall Street, although it is interesting that since late 1983 tha proportion of the group's shares held in the U.S. has risen from 17 to 25 per cent.

Previous articles in this series appeared on May 21, June 3, 6, 10, 19 and July 3.

PERFORMANCE HIGHLIGHTS FOR FIVE YEARS

	1980	1981	1982	1983	1984
Net income ($m)	5,503	4,038	3,456	4,155	4,884
Net income (£m)	2,362	1,989	1,993	2,754	3,648
Return on equity (%)	21.5	15.4	12.8	15.1	16.2
Capital spending ($m)	7,959	9,320	9,192	7,206	7,428
Proved oil reserves* (bn barrels)	7.2	7.1	6.9	7.1	7.5

* Includes associated companies.

TECHNOLOGY

EDITED BY ALAN CANE

BL sets up electronic mail service for data

NO MATTER how good the computer systems of a company are for in-house purposes, formal commercial relations with other organisations are still largely based on the printed word.

Istel, the software and systems subsidiary of BL, believes that money is wasted by companies that have to send paper invoices, orders, price lists and specifications to each other, even though most of them already produce these and similar documents by computer.

If the computers could communicate, no paper need be generated and the process could be cheapened and speeded up. Research carried out by Istel and the Institute for Physical Distribution Management shows that the average cost of handling a sales document is £10. Istel believes it can reduce that cost to a few pennies.

The problem is that different formats and standards are used in commercial computer systems, producing conversion problems that most companies do not want to tackle. Some specialised groupings with common standards are emerging covering particular industries like motor car manufacture and distribution, and retailing.

But now Istel has set up an open system called Edict (see this page, May 17) (electronic data interchange) based on a communications network the company already operates using either dial-up or leased telephone lines.

Edict is a specialised electronic mail service. It is able to accept data in a variety of previously agreed formats, carry out the necessary conversions, and hold it ready for access in the right form by the authorised users. Edict subscribers are connected to the main computer and switching centre at Redditch using communications methods that suit them best.

The sender can transmit data at a time to suit him, knowing that it will be ready for electronic collection by the recipients within minutes of despatch. More on 0527 64274.

GEOFFREY CHARLISH

Machines leap the language barrier

Electronic translating is about to take off, reports Peter Knight

"I'm self-conscious and nervous when I write a foreign language memo," admits Fred Zirkle, president of Automated Language Processing Systems (ALPS).

He is afraid one of the 25 translators on his staff will snigger at his grammar. He should not worry. At six foot five inches tall, only slightly less across and with hands the size of shovels he could strangle all 25 simultaneously.

Zirkle, 39, used to be executive vice-president of Key Tronics, the U.S. company that makes keyboards for computers. He left to follow his other interests, machine translation and soda pop. He thinks both products are going to boost dramatically his considerable wealth.

Since leaving Key Tronics in 1981 he has invested in a new machine that dispenses fizzy drinks in supermarkets. He is enthusiastic about its prospects and travels with a video that shows it off.

But what really excites him is selling software that translates languages. He estimates that the world spends about \$2,000m a year translating documents like letters, engineering manuals and order forms. Although computers have long promised to automate the job, they are only now starting to get it right.

"Seldom do you see a market just waiting for a product," he says. He wants ALPS, one of the world's four major companies working in the field, to exploit the market by producing the right products. Zirkle is determined to take the private concern, founded in 1980 by Utah mormons and which has never made money, into profit.

"It is unique to find a company with so much talent but has never made a profit," he says.

Zirkle hopes to bring ALPS to the London Stock Market, an unusual move for an American company, but he sees ALPS' revenue coming chiefly from Europe—the EEC alone spends £300m a year on translation.

He says the machine translation market will develop in two ways. First the software that has up to now run on large, expensive computers, will become available for smaller machines. ALPS will soon ship a package that works on IBM's top-of-the-range personal computer, the PC/AT. The cheaper hardware will make the software more accessible to smaller companies and self-employed translators.

Second, Zirkle says there is a big market for programs that businessmen and secretaries can use on their personal computers, much like the spelling checkers which can be added to word processing programs.

These add-ons will help executives translate memos and letters—the sort of job usually done by the office linguist rather than the professional translator. Zirkle says this "add-on" market will give him the volume he was used to at Key Tronics.

ALPS has, so far, only sold its products to multinationals like IBM, Hewlett-Packard, Xerox and American Motors who use the software to help translate instruction manuals.

Zirkle speaks only English but he does not see this restricting his management of a translation company. After all, he made Key Tronics a success and he cannot type. He says his hands are too big.

Computer translation is fast but loose

USING computers to translate languages is no longer pie in the sky.

Machine translation (MT) is being used by companies like Texas Instruments and IBM to convert instruction manuals from English to various European languages. MT is particularly good at this because it favours logical writing and dislikes colloquialisms.

Computers are hopeless at translating letters, memos and marketing literature which rely on nuance, social references and humour. This is because the software running on the computer simply replaces words and phrases in the original with corresponding references held in its storage area.

In particular machines are weak at translating badly written text, which is of some relief to professional translators.

Computers are never absolutely accurate, and depending on the type of translation program used, the professional is still needed to clear up the machine's mistakes.

People have to check the text for obvious difficulties like a colloquial phrase or technical terms not held in the computer's dictionary. Some programs are "interactive" and the translator has to sort out syntax and semantics as the text is processed. Most programs "batch process" the text which means that the translator has to wait while the machine does its job. Only then can the professional clean up the mistakes.

But MT is useful because it saves so much time. A program from Systran running on an IBM mainframe at the Karlsruhe nuclear research centre in Germany translates 1,000 pages an hour. Software from Weidner working on an IBM PC/XT translates 1,600 words an hour, which is five to 10 times as fast as a person.

The MT market is dominated by four U.S. companies. Automatic Language Processing Systems (ALPS) has an interactive system that [illegible] multilingual word processing as well as computer-aided translation. Logos has software that covers most European languages and Wang offers it on its office system; Weidner Communication recently launched versions of its software for IBM desk top computers; Systran Institute sells software that runs on IBM and Siemens mainframes.

These and other companies entering the market will be concentrating on software for the more powerful desk-top computers, instead of the large machines previously needed. ALPS, for instance, is releasing its interactive program for the IBM PC/AT. The use of cheaper machines should soon make MT cost effective for the smaller company.

More from the Association of Information Management (ASLIB), on 01-430 2671.

Big rise forecast in optical fibre sales

BY GEOFFREY CHARLISH

SALES OF optical communications equipment in Europe will be 47 per cent larger this year than last, moving from \$298m to \$439m. By 1989 they are expected to reach \$1.2bn, according to market research consultancy Frost and Sullivan.

Some 70 per cent of the business is being taken by European manufacturers, which now number 86, although there are 180 main distributors and subsidiaries of non-European companies offering cable and equipment made elsewhere.

The information carrying potential of optical fibre is enormous, but only recently has technology allowed some of the promises to be fulfilled.

When Dr Charles Kao made the first European experiments in the mid-1960s at STL Harlow, it soon became clear that given low-loss, low distortion fibre, intense enough light transmitters, and receivers of high enough sensitivity, almost unheard of amounts of information could be sent down fibres. Furthermore, it was clear that very few repeaters (amplifiers) would need to be spliced into the cable.

Gradually, the problems of making ultra-pure glass fibres have been overcome so that today it is possible to look through miles of it with no more loss of brilliance than looking through air. Tiny lasers that feed intense, high purity single wavelength light into fibre cores much thinner than a human hair are available, as are equally small ultra-sensitive photo-diode receivers.

When optical fibre was first being tested, the copper transatlantic cables then in use carried only a few hundred telephone conversations. Such is the success of fibre development that the latest cable, TAT will be able to carry 40,000.

The story does not end there. Fibre of even lower loss using somewhat longer wavelengths of light are being researched. These could mean that only a handful of repeaters (possibly none at all) need be laid on the ocean floor, reducing costs to a fraction of their present levels (TAT 8 will have 125 repeaters).

On land, such developments are allowing telecommunications authorities and companies to transmit bulk speech, video and data at lower and lower cost.

They are by far the largest consumers of fibre and equipment. The F&S report* says that in 1984, public switched networks accounted for 63 per cent of consumption, limited area networks 22 per cent, the military 9 per cent and cable TV 6 per cent.

The advantages of fibre systems will continue to tell. Compared with copper electrical systems they have a small diameter, are lightweight, low loss, have very high information capacity, cannot be tapped and are immune from interference.

* *Optical Communications Market in Europe. 360p. \$2,000. From Frost and Sullivan, on 01-486 8377.*

Better times predicted for U.S. computer industry

THE CURRENT computer recession in the U.S. is the result of uncertainties over tax reform and the strong dollar, a glut of commodity products such as personal computers and a shockwave in office automation and factory automation caused by IBM and General Motors respectively.

This is the view of Stephen Smith, senior analyst with the U.S. stockbrokers PaineWebber. He argues: "With so much uncertainty surrounding the economic outlook, where is the incentive to buy now rather than to wait. Today, computer vendors' inventories are high, lead times are short and prices are coming down."

He believes IBM's rash of office automation products towards the end of last year put the market "on hold" while it took time to evaluate the new offering.

There was a similar reaction to General Motors' attempts to establish a manufacturing standard—MAP—in the factory.

"For the first time," he notes, "an end-user appears to have the ability to create a standard to which the hardware vendors will be forced to comply."

He argues, nevertheless, that the industry will return to its traditional growth rate of 15 per cent or more within 12 months.

Software for Eurobond dealers

COMPUTASOFT, a UK specialist in banking and financial software, has launched two new packages for the Eurobond market.

The first, ComputaYield, is a Eurobond yield calculator that, according to the company, is able to calculate bond yields much faster than the market-leading Lotus 1-2-3 integrated spreadsheet.

It enables managers to evaluate and compare the yields of both fixed and floating Eurobonds.

The second package, Computatrade, is said to enable the recording, processing and analysing of security transactions in up to 30 different currencies.

Individual functions in the package include balance and daily profit-loss at any time, unrealised profit/loss calculation, multiple "books" enabling separate trading of securities and large databases for deal, security and client information.

They cost £950 for the entire package and £3,500 upwards respectively. They run on the IBM PC and comparable personal computers.

Getting a Grip on silicon waste

STANDARD CELLS — complete electronic circuits held in the memory of a computer ready to be incorporated in the design of new and complex silicon chips—can cut dramatically the lead time in the development of a new part but they can be wasteful of silicon.

Silvar-Lisco, a California-based computer-aided design company specialising in standard cells—its CAL-MP standard cell layout package has more than 150 users world-wide—has developed a software tool called Graphic Interactive Placer or GRIP, which allows for the optimal placement of building cell blocks in standard cell semi-custom chip design.

UK COMPANY NEWS

Aircraft sales boost Intasun to £24.8m

THE DISPOSAL of two Boeing aircraft for an £11.18m surplus enabled Intasun Leisure Group, the fast growing package tour operator, to lift its 1984-85 pre-tax profits from £16.53m to a record £24.84m.

And with the sale of a further three aircraft for a little under £15m Mr Harry Goodman, the chairman, is looking for profits somewhat similer in the current year.

He said yesterday that the holiday industry declino over the current year was expected to be between 12 and 15 per cent but he was confident that Intasun would show an increase of between 3 and 5 per cent on passengers carried.

Although there was pressure on margins, Mr Goodman claimed thet the group was doing better than any of its competitors.

Intasun currently estimates its market share, including Global, to be standing at some 16 per cent, compared with approaching 15 per cent last year.

Mr Goodman said that Thomson, the biggest in the market, is reckoned to bave 18 per cent, against almost 21 per cent last time, with Horizon, third placed, holding 5.5 per cent, down from 8.5 per cent.

For the past year, to March *31 1985* group *turnover improved* from £191.3m to £240.73m.

Interest and financing charges payable under aircraft finance and lease agreements are charged as evenly as possible over the periods of the relevant agreements. If these costs had *been charged as incurred, profits* before tax would have been £25.1m, compared with £15.5m.

Excluding the aircraft disposals and profits amounting to £1.91m from the sale of listed investments, profits for the year emerged £4.78m lower, and in the middle of City estimates, at £11.75m.

The final dividend, bowever, is being increased to 2.8p (2.6p) for a 0.4p bigger total of 4.8p net per 10p share.

Profits of the travel division fell from £8.7m to £6.2m. The division carried 1.06m (820,000) passengers, achieving e load factor of 96 (95) per cent. Airline profits fell from £7.8m to £5.5m.

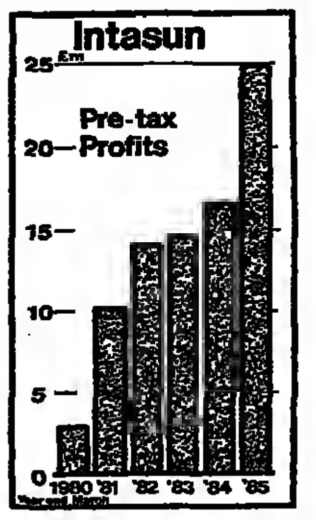
Mr Goodman said that tbe tour operating market for summer 1985 was more competitive and *less predictable* but that both divisions were performing well. He told shareholders that the travel division would show some volume growth and also increase its market share significantly.

At end-June group bookings for summer 1985 were ouly 5 per cent down at 675,000 hut with late hookings being taken at a mucb higher rate than last year passenger carryings are expected to exceed those of summer 1984.

This year's bolidays market had been hit by tha strong fall in sterling and the after effects of the miners' strike. However, *Mr Goodman had good news for* next year's sunseekers.

He said: "Holiday prices in 1986 would certainly show no increase over 1985. They would be stable and in some cases slightly cheaper."

The chairman forecast that the *industry would recover this* year's loss of passengers and also see a hardening of margins.



Mr Harry Goodman . . . doing better than competitors

Spain has been one of tha hardest blt holiday markets this year, wlth industry hookings reckoned to be some 40 per cent down. Bnt with the peseta falling and Spanish hoteliers having to cut rates, Mr Goodman forecast a "dramatic return" by holidaymakers to Spain next year.

Currency losses cost Intasun over £1m in tha past year, but this year the group has the right to pass on extra operating costs resulting from currency fluctuations.

Intasun is currently sitting on some £61m cash, against around £65m this time last year and could be set for a furtber major expansion in the botel industry.

"We are looking to have a significant presence in Landon by the end of this year," said Mr Goodman.

"We have several hotels currently under negotiation."

A move into Enrope for the holldays aide is also in prospect within the next year or so. Intasun is taking a hard *look* et the possibility of setting up in Germany, or making an ecquisition there.

In May the group announced thet a joint venture had been established wlth Ramada Inns. Within this joint venture a development company, UKotel, has been set np owned 80 per cent by Intasun and 20 per cent by Ramada, and a management company Rameda GB owned 49 per cent by Intasun and 51 per cent by Ramada. The objective is to develop a substantial presence in the UK hotel industry.

Last month the company bought its first UK hotel, Barbican City Hotel, for a total cost of £7.5m.

Current booking levels reflect the buoyant London hotel market end it is anticipated that the *current year's operating profit* before interest and tax, whilse undergoing refurbishment, should exceed £1m.

To date the joint venture established with the Ladbroke Group has purchased two properties, the Cortijo Blanco in Marbella and the Los Zocos apartment complex in Lanzarote, for a total cost of £10m.

Global of London (Tours and Travel) is to be purchased in November. The price is to be based on Global net assets et that date.

The sale of three aircraft in the current year has reduced the group's fleet to three owned 757's, one owned 737-200 end two leased 737-200s. Intasun regards this as the minimum number its fleet could go to and it could now be looking to increase again when tho holiday market picks up.

See Lex

M & S may vote on political payments

MARKS AND SPENCER, Britain's biggest retailer, is actively considering pelling shareholders before making political donations.

Lord Rayner, Marks and Spencer chairman and n former Government advisor on civil service efficiency, yesterday told about 1,100 shareholders at the annual meeting that "we will probably use the proxy card to determine whether we should *make n political donation*."

He was responding to questions from the floor about last year'e donation of £25,000 te British United Industrialists—the free enterprise organisation which channels money primarily to the Conservative Party.

Lord Rayner said that he had received many letters from shareholders on the suhject. He pledged that no contribution would be made this year until a close study had been made of Mr Edmund Dell's constitutional reform centre pamphlet on company donations.

He added that the company would prebably wait to see what became general practice.

The Marks and Spencer charge card scheme — lannched at the beginning of this year—has been a great success, the chairman said, with over 800,000 cards already issued and applications running at 20,000 n week.

Bnt Lord Rayner pre-*empted* the *many* criticisms of the scheme in prsctice by admitting that there had been some teething troubles. "Mistakes have, of course, been made and we have had e substantial correspondence with customers.

Most of the initial problems have now been ironed out," he said. About 7 per cent of sales are now made through the charge cards.

Commenting on the company's recent performance—after the showing of e promotional *video*—he *said*: "*If* the half-year results are as good as the first three months, sales and profits are heading for a very good year." The clothing departments were praised for their good performance with ladies' and children's wear being singled out for their particularly marked improvement.

In recent weeks, another major programme of expansion and redevelopment of stores has begun at Southport, Swindon, Sutton Coldfield and Sutton, Surrey, the chairman said.

One of tho less deferential shareholders took Lord Rayner to task for what he described as his "high falutin" title—which is officially the Lord Rayner. But the Lord modestly explained, to warm applause, that he was instructed to take that title by the Garter King of Arms because he was tho first to use the title.

He rounded off with the old *Marks and Spencer refrain* that "we have never aimed to be the cheapest, we have aimed to be the best value."

Nationals boost Assoc. Newspapers profits to £16m

Associetend Newspapers Holdings, which publisbes the Daily Meil and Mail on Sunday, hoisted pre-tax profits by 88.5 per cent from a restated £8.7m to £16.4m *in the half year to March 31 1985*. Turnover rose by 18 per cent from £173.9m to £205.1m.

The directors say improvements in the performance of the group's two national newspapers contributed to the result and this should continue in the second six months.

Provincial newspapers' trading profits were similar to last year, but full year figures will be adversely affected by recent NGA industrial ection.

Euromoney produced better results and expandad its services to the banking community. *Profits from hte 13-30 Group in* the U.S. eiso showed a marked increase. Both operations are expected to show a similar improvement in the full year.

Profits from Blackfriars Oil Co fell slightly owing to a lower figures may show a decline for contribution from the Argyll field. The directors say full year the same reason, as well as reflecting a high level of exploration expenditure.

Increased dividends were received ffrom the investment in the Canadian forestry products company, Consolidated-Bathurst.

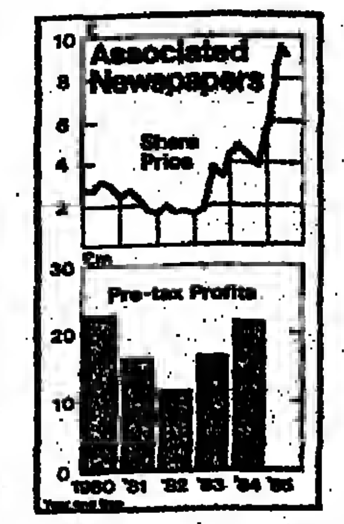
The net interim *dividend is* being raised from 4.5p to 5.5p

Group first-half trading profits moved ahead from a restated £6.5m to £9.9m. Share of related companies edded £1.9m (£0.7m), income from other fixed asset investments £2.1m (£1.4m), interest received £0.9m (£0.1m) and profits from sale of properties £1.7m (nil). Amounts written off an investment accounted for £0.1m this time.

The 1983-84 half year results have been restated to reflect changes in group accounting *policies*.

First, goodwill previously amortised through the Profit and Loss account, is now written off egainst reserves—prior periods trading profit has accordingly been increased hy £0.3m. Second, interest payeble related to financing of North Sea oil and gas development, previously written off as incurred is now capitalised and amortised over the estimated producing life of the relevant development—prior periods net interest receivable has accordingly been increased by £0.1m.

Daily Mail and General Trust, which owns 49.95 per cent of Associated Newspapers' equity, made half-yearly net profits of £5.39m (adjusted £3.51m) including the share of profits of the related company. Of the figure, £1.87m (£1.46m) is attributable to Daily Mail. Net revenue from investments other than Associated Newspapers was £1.04m (£0.76m).



Earnings per 50p share were 18.8p (14.3p). The interim dividend is increased from 12p to 16.5p net—last year's final was 22.5p. Net asset value per ordinary and "A" ordinary nonvoting shares advanced from 136.3p to *187.7p*.

● comment

The big numbers at Associated Newspapers might look good but a closer examination of the results produces one or two disappointments—*hence* the *easing* of the share price from 910p to 890p yesterday. Take £1.7m off pre-tax profits for the property sale and the remaining £14.7m comes as a bit of an anti-climax after forecasts of £15.85m. Take into consideration the un*quantified boost* produced by the changes in accounting policies and the pre-tax figure begins to look positively wan. On prospects for the second half, the group *is* a little more informative than usual; just enough to give the impression that the weak spots in *provincial* newspapers and Blackfriars Oil will be more than offset by strengths elsewhere. Advertising rates at the Daily Mail and The Mail on Sunday are thought to have firmed, and both Euromoney and The 13-30 Group are contributing well. Cautious estimates for the full year are now at around £33m, which has the shares on a prospective *p/e* ratio of 14 after a tax charge *of* 40 per cent — modest for the sector and undemanding given the strength of the asset backing.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Assoc Newspapers ...int	5.5	Aug 22	4.5	—	14
County Properties ...int	1.25	Oct 9	1	—	¶3.4
Daily Mail & Gen ......int	15.5	—	12	—	34.5
Evans of Leeds	2	—	1.75	3.38	3
Fleming Overseas	1.75	—	†1.33	2.75	†2.33
Intasun	2.8	Aug 30	2.6	4.8	4.4
John J. Lees	2	—	2	2.9	2.9
Leisuretime ....int	1.15	Oct 1	1	—	2.1
REA Holdings	†1	—	1	2	1
Stirling Group	0.65	—	*0.44	1.05	*0.72
United Leasing	2.2	Sept 27	2	3.6	2.8

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. ¶ For 18 months.

Burton's bid for Debenhams gets go-ahead

By Charles Batchelor

Burton Group has heen given the go-ahead for its £459m takeover bid for Debenhams hy Mr Norman Tebbit, Trade and Industry Secretary.

Mr Tebhit announced yesterday that in accordance with the recommendation of the director-general of fair trading he had decided not to refer the bid to the Monopolies and Mergers Commission.

The monopolies decision came on the eve of today's second closing date for the Burton hid. Burton's offer is still trailing well below the value of Debenhams' shares and only a marginal increase, if any, is expected in the 0.14 per cnet level of accept*ances recorded at the first closing* date.

Burton has another 11 days, until July 21, to decide whether to increase the value of its offer though an increase could be announced today. The alternatives are to merely extend the offer or withdraw.

Burton's shares rose 1p to 462p yesterday while Debenhams rose 1p to 385p.

Mr Tebbit also gave the go-ahead for Burton's £16m takeover bid for Collier Holdings,

Hargreaves sells offshoot to BET

Hargreaves Group, the West Yorkshire based holding company has sold Hargreaves Transport, a wholly owned subsidiary engaged in the transport of hulk liquids and powders to United Transport Tankers, a subsidiary of the British Election Traction Company for £3.55m in cash.

Allied Irish board comes under attack

BY DAVID DAVIN POWER IN DUBLIN

THE BOARD of Allied Irish Banks (AIB) successfully weathered heavy criticism, including calls for the resignation of group chairman Niall Crowley, over the Insurance Corporation *affair* at *yesterday's annual meet*ing in Duhlin.

Mr Crowley told the meeting, attended hy e record number of over 1,000 shareholders, that he and members of his board had considered their position after the extent of problems at the subsidiary Insurance Corporation of Ireland became known.

"I personally agonised over my own position," he told the AGM, "but having thought it through I was satisfied that I should not resign."

The bank wrote off an investment of I£90m after Insurance Corporation was rescued by the Irish Government earlier this year. The Irish tax payer may have to foot e bill of up to I£200m by the time total liabilities emerge. AIB is currently suing Insurance Corporation's auditors Ernst and Whinney for I£100m, on the hasis thet they allegedly misstated the financial position of the company.

At yesterday's meeting, a number of shareholders called for the resignation of Mr Crowley or members of his board on tha basis that they could have been aware of the disastrous financial tsate of Insurance Corporation at the time of the takeover in 1983.

However throughout the marathon meeting the chairman maintained that the figures at the hank's disposal bad been "gravely misstated," and that his directors end executives performed to the best of their abitities given that constraint.

Mr Crowley said that resignations now would be counter-productive as they would seriously damage public confidence in AIB, Ireland's largest hanking group.

At the meeting shareholders heard that pre-tax profits for the year ended *March 1986* were on target to match the £84m for the year just ended. AIB's shares stood et I£1.5 on tha Dublin stock exchange yesterday.

After the collapse last March, 44p was wiped off the value of the stock, but shareholders were *told* yesterday that the current value was now within 5 per cent of the value before the crash.

United Leasing jumps 43% to £5.3m

United Leasing, supplier and lessor of computers and other equipment, has achieved e 43 per cent increase in pre-tax profits, from a restated £3.7m to £5.29m, with some £3.25m earned in the second half compared with £2.41m.

For the year to March 31 1985 earnings per 20p share rose by 48 per cent to 32.9p (22.3p), and the directors are recommending e 2.2p (2p) final, to lift the total by 0.8p to 3.6p.

With turnover ahead from £104.62m to £176.28m, and net assets exceeding £17m, Mr Parry Mitchell, the chairman, commenting on the results, tells shareholders that the year was excellent, and consolidated the performance of previous years.

The group has achieved its objective of becoming a world leader in supply and finance of high technology equipment, while building a strong organisation to manage its future growth.

During the year new offices were opened in the U.S., the UK and in Paris.

The chairman expects that the current year will present hetter husiness opportunities to the group than it has previously experienced. Suhject to no adverse changes in the general business environment, he looks forward to reporting results which will meet the group's own exacting standards of growth, he says, although they will be even more heavily weighted to the second half than in previous years.

The core business remains the supply and leasing of IBM computers to major corporate accounts. For 1984-85, despite the ebsence of new products, a record volume of business, amounting to £109m, was written in this sector.

United Leasing has entered the microcomputer husiness to capitalise on demand from its existing corporate customers. It acquired Sumlock Bondain in September 1984, and shortly after the financial year-end GVR Datensysteme GmbH in Dusseldorf.

● comment

The stock market, which has never been ontirely convinced of the virtues of computer leasing companies, has been marking the shares down in recent weeks in the wake of warnings of poor profits from IBM. The leasing companies argue that any slowdown in sales will hit them less than IBM as custimers renew leases on existing equipment instead of buying new. Moreover, they say that demand for new machines will pick up with the launch of the new Sierra range. United Leasing is particularly well placed to take advantage of this having increased staff threefold last year to 300. Even with the expanded micro-computer trading business going through a difficult time, the group could make £8m pre-tax this year, which on a 5 per cent tax charge, puts the shares 301p down 2p on a multiple of 7. United is quite eggressive in its treatment of residual profits, so it is right of the CSity to rate the shares at a discount to some rivals. But it might be time for investors to take a more positivo view of the sector as a whole—the record of the recent past shows that the industry is more stable, and that therefore assessments of residual profits are more accurate than they were in the industry's rather chequered past.

UK COMPANY NEWS

Michael Cassell on Olympia & York's disposal

Why MEPC is no longer a hunter

Olympia & York's decision to sell English Property Corporation to MEPC six years after its acquisition ends a relationship which always seemed likely to be short-lived.

The property and resources group, controlled by the Reichmann family of Toronto and now one of the world's largest private development operations, picked up EPC—formerly Mr Robert Potel's Star (Great Britain)—in 1979 for £58m, after a succession of rival offers involving Wereldhave, the Dutch developer.

EPC remained a public company because its convertible loan stock holders elected not to accept the O & Y offer.

From the outset, Olympia & York seemed much less enthusiastic about EPC's substantial UK and European investment portfolio than it was about its new acquisition's Canadian interests, particularly a large stake in Trizec Corporation, then Canada's second-largest quoted property company.

After its successful bid, Olympia & York left Mr Stanley Honeyman, the existing EPC chief executive, to run the European business and to gradually dispose of most of its investments in Belgium and France.

It recently became clear that EPC was for sale and, although the sum raised is small by Olympia & York standards, it will come in useful at a time when the group is paying $2.2bn in a two-step deal to acquire majority control of Gulf Canada.

The deal is also more than useful for MEPC, which has for some time been looking to acquire a development and investment portfolio in order to help consolidate its position as the UK's second largest development group.

According to Mr Christopher Benson, managing director of MEPC: "We have had a shopping list of potentially attractive companies but we have been getting uncomfortable with the sort of prices being paid. This time we have found an opportunity to buy in at a price with which we are comfortable."

'Prices were getting uncomfortable but this time we found an opportunity to buy at a price with which we were comfortable'

Mr Benson added: "We are no longer a predator, if that is what we were before." He did not, however, rule out the possibility of further acquisitions if "interesting situations" arose.

MEPC recently made a play to take the 26.5 per cent stake in Stock Conversion, formerly owned by family interests of the late Mr Robert Clark and eventually purchased by Stockley, the fast-expanding property investment group.

The company's failure to buy into Stock Conversion apparently reactivated its interest in Olympia and York's UK property interests and the purchase was proposed and negotiated over the past month. Mr Benson denied that the EPC deal represents a "second choice" and emphasised that his company looked at its possible purchase on several occasions in recent years.

"In the past, there have always been elements of the EPC portfolio which we did not like. This time, following further disposals, it suited us and it *suited* Olympia and York to sell," he added.

MEPC currently have £67m worth of

Mr Benson emphasised that MEPC already has an active UK development programme: "We projects under way and, if all our planned developments come to fruition, that figure will have grown by an additional £64m by November.

"On top of that, projects worth another £60m are already a possibility," he said.

MEPC will now embark on a programme designed to massage the EPC portfolio into better shape, improving the quality of the property and raising the income derived from it. One or two disposals are possible.

The first building in the EPC portfolio to be given MEPC's attention will be Lee House, the 157,000 sq ft office building on London Wall in the City of London, now virtually unoccupied and — in its present state—unlettable.

Two planning applications for the redevelopment of the building to provide up to nearly 300,000 sq ft of office accommodation have *already* been jointly submitted by EPC and Guinness Peat Properties, although refurbishment remains a possibility. Total redevelopment appears more likely, however, and MEPC would normally prefer to carry out any scheme of this scale on its own.

The other principal properties in the EPC portfolio include the Pontings shops complex in London's Kensington High Street, Petershill House in Queen Victoria Street, City of London—where a new headlease has been agreed — the Kingsmead shops and office centre in Farnborough, Hampshire and the Milton Trading Estate near Abingdon in Berkshire.

About 500 acres of land remains to be developed alongside the 2m sq ft estate. There is one continental property included in the package — La Boursidiere office complex close to Orly airport, Paris. The principal tenant is Thompson CSF.

Metal Box £9m U.S. expansion

BY ANDREW ARENDS

Metal Box, the packaging group is to purchase Eyelet Specialty, a U.S. lipstick case manufacturer through its U.S. subsidiary, Risdon, for $12m (£9m) in cash and assumed liabilities.

The deal is designed to strengthen Risdon's position as the largest U.S. producer of cosmetics and toiletries packaging, and will be funded from the company's existing borrowing facilities.

Eyelet Specialty, which is presently owned by Kingston Tool of Monson, Massachusetts manufactures metal and plastic lipstick cases at its plant in Wallingford, Connecticut. In 1984 sales totalled around $26m (£19.5m).

Through the purchase of Eyelet, Metal Box has also acquired the company's United Tool subsidiary in Bridgeport, Connecticut, which produces injection moulding tools.

In addition, it has acquired Eyelet's overseas interests, including a 49 per cent stake in Eyelet Mexicana, a cosmetics manufacturer, a minority interest in Eyelet Iberia, a Spanish lipstick container manufacturer, and 100 per cent of the group's Liechtenstein based European trading company.

Mr Denis Allport, Metal Box chairman said yesterday that the deal would give Risdon new footholds in the U.S., European and Central American cosmetic packaging markets. Risdon, which is a subsidiary of Metal Box America, accounted for nearly 45 per cent of the company's $270m (£203m) sales in 1984.

Metal Box shares slipped 10p yesterday to close at 452p.

McMullen tops £1m half-way

McMullen and Sons, Hertford-based brewer, wine and spirit merchant and soft drink manufacturer, has lifted pre-tax profits for the six months to March 30 1985 from £92,000 to £1.29m.

The directors of this close company have declared a first interim dividend of 1.26p on the ordinary and preferred ordinary shares. The shares are unquoted.

Turnover amounted to £11.36m (£10.45m), and the pre-tax result includes income from listed investments of £56,000 (£59,000) and interest received £134,000 (£82,000). There were profits of £35,000 last time on the sale of investments.

Tax totalled £521,000 (£403,000).

REA profits leap—£1m site purchase

REA Holdings, which has interests in plantations, warehousing and container storage, lifted pre-tax profits by 72.5 per cent from £1.29m to £2.23m in 1984. The final dividend is 1p net for a doubled total for the year of 2p per £1 share on increased capital.

The company has also announced the £1m purchase by its subsidiary, Container Parks & Services, of a freehold site at Dagenham, Essex, for use as a container depot. The site is independently valued at £1m and the cash consideration is to be paid in full on completion—due on September 1 1985.

The directors say this purchase will enable the company to consolidate on a single site its container depot operations which have previously been split between two separate sites.

Turnover in 1984 improved by 9 per cent from £30.32m to £33.13m. After tax of £1.71m (£779,000) earnings per share were stated ahead from 9.7p to 14p.

Last year there was also an extraordinary credit of £146,000 being net profit on disposal of the former freight forwarding division and on the sale of the group's holding in a related company.

Scottish Equitable boosted by pre-Budget fears

FEARS OF an attack by the Chancellor of the Exchequer, Mr Nigel Lawson, in the last Budget resulted in a pension sales boom for Scottish Equitable Life Assurance Society during the early months of the year.

New business figures for the first half of the year showed that new annual premiums were up nearly 50 per cent to £23m, while single premiums rose by 135 per cent to £37.6m. All sectors of the company's pension business were buoyant and provided this growth.

New annual premiums on self-employed pensions almost tripled to £11.5m, while single premium self-employed sales more than doubled to £13m, making the self-employed market the most buoyant of the pension sectors. Within these figures, the company's unit-linked plans enjoyed phenomenal sales.

The company also reported good sales in the executive pension market where it is a leader in the small self-administered field.

The company's entry into the unit-linked life market on September 1 1985 has already bought in £8m of pre-launch sales of its performance bond.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Eurotherm International, Gresham Trust, M & G Dual Trust, Pericom, Romney Trust, Southern Business Leasing, Taco, Ventone Viyella.

Finals:—H. P. Bulmer, Leopold Joseph, Magnet and Southerns.

FUTURE DATES

Interims:—	
Barclays Bank	Aug 1
Electronic Machine	July 19
Imperial Group	July 11
Yeoman Investment Trust	July 18
Finals:—	
Arlington Motor	July 29
Beven (D. F.)	July 18
Black Arrow	July 19
British Electric Traction	July 18
Cowan, de Groot	July 13
G.T. Japan Investment Trust	Sept 18
Multitone Electronics	July 16
Norton Opax	July 29
Ransom (William)	July 17
Reed Executive	July 18
Robertson Research	July 16
Sekers International	July 15
Stroud Riley Drummond	July 18

UK COMPANY NEWS

Securiguard lifts profit by 39% in first half

INCLUDING the results of Consolidated Safeguards from February 1, the Securiguard Group has lifted its pre-tax profit by 39 per ceot in the half year anded April 28, 1985, from £398,000 to £554,000. Its shares are traded on tbe USM.

Mr Alan Baldwin, chairman, says the merger is proving successful and ba expects to see benefits of the improved efficiency and strengthenad organisation in the second half.

Ha says tha group continues to expand its existing business by nrganic growth and acquisitions, while seeking to diversify and hroaden its range nf activities.

Following the acquisition of Consolidated Safeguards, security services now represents some 83 per cent of group turnover, which rose from £5.6m to £9.7m in the half year. Tha cleaning divisiou (office and industrial) bas performed well, sbowing profits marginally ahaad of last year despite continuing adverse marker conditions.

"I look forward to anothar very successful year," Mr Baldwin tells shareholders. In the year ended Octobar 28, 1984 the group mada a profit of £821,000 and paid a dividend of 2.35p

The half year profit comprised Securiguard £161,000 and Consolidated £125,000 prior to the merger, and combined group from February £268,000. In the comparable period of 1984 Securiguard made £322,000 and Consolidated £76,000.

Tax charge aversges 42 per cent and takes £23,000 (£191,000), leaving the net profit at £321,000 (£207,000) for earnings of 5.3p (3.4) per share.

● *comment*

Securiguard has once again come through with organic growth of over 20 per cent combined with a atrong thrust from the gronp's policy of aggressiva acquisition. And yet its sbares, up 13 yesterday to 155p, are not far above the 134p price at whicb the company joined the USM io April 1983, and wbile earnings have surged, the company's p/e ratio has plummeted from nearly two years ago. Assuming that it makes £1.4m for the full year (Securiguard generally makes about 60 per cent of its profits in the second balf) and applying a 40 per cent tax rate that ratio is now a mere 11. Some of the fall from favour bas been dne to unexpectedly difficult conditions in the cleaning market, wbere margins are very tight indeed. Securiguard has attempted to bold its margins, and profits from this division are currently growing at about 10 per cent a year. Meanwhile the security bnsiness *is moving from strength to strength*, gaining an increasing share of the manned security market while a move this year into electronic surveillance aeems to have beeo successful. More acquisitions are on the cards.

Margins rise at Stirling

Stirling Group, garment manufacturer raised pre-tax profits by 17.5 per cent from £1.5m to a record £.76m in the year to March 31 1985 and the directors say current trading remains up to expectations.

Sales, which rose 14 per cent to £19.86m (£17.23m), continued to benefit from the company's ability to design and produce reiated garments. Margins have improved through attention to efficiency by investment.

In line with tha board's stated intention of gradually reducing theexisting high dividend cover, the net payment is lifted in effect by some 46 per cant from 0.72p to 1.05p net, with e final of 0.65p.

Current tax for the year took £560,000 (£340,000) and deferred tax accounted for £63,000 (£302,000). Stated earnings per 20p abare were 8.23p (adjusted 7.94p) after current tax, and 7.8p (adjnsted 5.87p) after total tax.

The company's capital expenditura programme incinded the opening and equipping of a further factory.

Confidence at Time Products

Mr Richard Langdon, chairman of Time Products, told the annual meeting that trading in the UK has for the first months of the year been satisfactory. Sales in both retail and wholesala divisions are np on last year and in line with our budgets.

The company's newest acquisition, the House of Lipkin, has been subject to rigorous review. There bas been a reorganisation of the internal operations of the company and as a result all manufacturing is being centralised in Birmingham, and the company bas embarked upon a programmo of modernisation. "We remain confident about the prospects fnr the Lipkin Group" said Mr Langdon.

In Hong Kong trading is going well and our new fashion ranges are being particularly well received throughout the world.

"Although, in the UK we are very dependent upon the level of Christmas trade, we view the next year with considerable confidence," said tha chairman.

SELINCOURT & STORMGARD: All tha conditions relating to the offer having been satisfied or waived, they bava been declared unconditional in all respects.

LADBROKE INDEX
932-936 (−13)
Based on FT Index
Tel: 01-427 4111

County Properties forges ahead

WITH ITS sbare of McLeod Russel, the County Properties Group, engaged in development and investment, bas turned in a net profit of £1.69m and earnings per share of 17.2p for the half year ende March 31 1985.

These compare with £2.22m and 22.7p respectively for the whole of the previous 18 months period. The directors are confident thst 1985 will show Improved results for tha group and that the growth in earnings will be sustained.

County Properties holds 40.08 per cent of McLeod Russel, the trading property and plantations group. It bas shnwn substantially imprnved results for the period and its net contrihutio to the group profit came out at £1.54m. County Properties' net profit was £145,000.

In view of the further progres achieved, the directors are paying an interim dividend of 1.25p net per share at a cost of £121,000. For the previous 18 months the *total dividend* was 3.4p which included two interim payments of 1p aach.

Reviewing the half-year, Mr John Guthrie, cheirman, reports that all projects continue to sbow good progress. The project at Kirkcaldy has heen concluded, part of tbe Ayr development site sold and the sale of e supermarket site et Banff completed. These projects beve genarated the substantial part of the development profit of £295,000 for the period.

In addition, other projects are being undertaken such as five new bigb street sbops in Invernes, a supermarket at Dingwall and at Inverurie, and e shop/office refurbishment at Windsor. The company has been selected by the Renfrew District Council to develop a prime town-centre site in Paisley, and by British Rail Property Board to develop e town-centre site in Sunderland.

On the investment side, rent reviews continue to provida growth in incoma and capital values, says the chairman, and profit came to £425,000. The company has contracted to sell the substantial part of the trading estate in Glasgow which, when completed, will leeve the property portfolio almost entirely within the retail/associated office cetegnry.

Mr Guthrie stresses that McLeod's figures for the balf year should not be taken as an indication of the likely outcoma of the next six-month period; but thet company'e directors are confident of a good result for the year. Ho points out that crops are seasonal and also that McLeod'e resultsfor the first half include 12 months figures from one of its releted companies.

The group net profit for the half year was made up of County profit £235,000 less tax £90,000; and share McLeod £3.84m less tax £2.24m and minorities £61,000. In the corresponding period County made 144,000 and there was no contribution from McLeod.

The stock market capitalisation of the holding in McLeod is around £10m, and is equivalent to some 108p per County share.

Evans of Leeds tops £4.4m—changes policy

PROFITS BEFORE tax of Evans of Leeds, which is engaged in property investment and development, moved up slightly from £4.3m to £4.45m in the year ended *March 31 1985*.

Thare has been a change of emphasis from tha purchase of industrial investments to that of modern commercial properties. Although this must creata some additional burden on profit margins, tha directors emphasise *that* property investment is long term and they feel confident in *continuing their present mainly* commercial investment policy.

Shareholders' funds et the year end were equal to 115p per share, and there is an additional 5p per share from surplus of revaluation of investment properties beld in stock. Their final diivdend for the year is raised to 2p, to give them a net total of 3.375p compared with 3p.

During tha year the company invested £5.42m in nine commarcial and retail investment properties, including a retail development *site of some* 2½ ecres at Haxby, York. The average rental return on these Is 10.34 per cent, with some rent reviews stlll due In the short term. Total borrowings were equivalent to 22.12 per cent of assets.

In the year gross rental income was ahead from £6.06m to £6.58m. There were falls in Income on the sale and development of properties, other operating Income and interest receivable, wbile interest paid was *around £1.23m (£1.22m)*.

Tax is reduced to £1.66m (£1.97m) to leave the net profit at £2.79m (£2.33m), or 8.81p (7.11p) per share. There are also extraordinary profits of £171,000 (£93,000).

The Investment portfolio has been professionally reviewed at March 31. Industrials were valued at £20m to give a rental return of 10.6 per cent; retail were £4.65m for 6.60 per cent, and offices £21m for 9.06 per cent. Average return worked our at 13.16 per cent.

Bremner gives warning of poor first-half results

THE RESULTS for the first quarter of the current year ot Bremner have continued to reflect difficult trading conditions, with a fall in turnover and an increased trading loss, says Mr Michael Black, the chairman of this retail store operator, in his annual statement.

The current programma of rationalisation and re-organisation of the trading of the store, including necessary staff reductions, means that first-half results will inevitably be poor, be warns.

The results will have to Include the exceptional costs of department closures, writing-off of stock and staff redundancias and will be additionally affected by the unavoidable disruption caused by the changes.

Tha board Is confident, however, that once these changes have been made, the company will be able to trade profitably as a smaller efficient retail store, wbile at the same time utilising to tha fullest advantage its property assets.

As reported on May 13, pre-tax profits dived from £126,000 to £5,000 for the year ended January 31 1985.

Mr Black says the new board, appointed in April, has been thoroughly reviewing all trading aspects of the company. Having looked at all departments, it has elected to concentrate retailing efforts in the merchandise areas wbere the company has been strongest. Customer credit terms of trading ara also under review.

Bluemel confident of satisfactory profits

CONTINUING businesses within the Bluemal Bros group ere trading profitably and will produce satisfactory profits for the year ending September 30 1985 state the directors. The subsidiary operating the Wolston factory, bowever, is being put into receivership.

Attempts to restore viability and profitability to the factory et Wolston have failed, the directors state. Problems were further aggravated by the rejection of tho planning application relating to the proposed sale and redevelopment of surplus land, and the directors have invited the bankers to sppoint e receiver.

In the balf year ended March 31 1985 the group, which makes accessories for the cycle and motor cycle trades, returned a loss of £306,000, compared with £98,000 in the 1984 period. Continued businesses improved their operating surplus from £82,000 to £219,000 although this did include the Ron Kitching Group acquired a year ago; but that was more than offset by the loss in discontinued businesses which shot up from £115,000 to £441,000.

Sales of the original Bluemel products from the Wolston factory declined steeply in the spring; while new products showed considerable promise they could not carry the burden of costs in time.

Estimated cost associated with the closure of discontinued business was £250,000 and have been charged as an extraordinary debit. Loss per share for the half year came out at 2.28p (1.08p).

LETTERS TO THE EDITOR

Goodbye to the company Santa

From the managing director, Securiplan

Sir,—I was particularly interestad in your front page atory "Goodhye to the company Santa" (July 1) hut I wonder whether the analysis is wrong in one historical aspect. I quote: "If any managar wha retired in 1975 returned to work today he might justifiably have tha impression of being in a foreign country."

It seems to me that he would only he baffled if he were fairly junior in 1975 or working for a particularly large and traditional organisation.

Surely, the whole crop of new words—incentive, performance, merit appraisal—was already well known hut in the mid-1970s had temporarily disappeared into an industrial soft-centre brought ahoot by social indiscipline, lack-lustre management and, dare I say it, the onset of the Employment Protection legislation.

When I left fairly senior positions in large organisations in 1968 and hitched my star to the building up of a small hui respected service company, I hrought all this language with me. I declare empbatically that it had been beaten into me (quite right too!) hy every hoss I had respected.

I still despair of the entrepreneurial flair and ruthlessness shown at a time when our economy (and our crisia of unemployment) need just those qualities but it ia refreshing to feel that, as Stefan Wagstyl indicates, a change is in the air.

Perhaps some of us now approaching 60 may have the last blessing of returning, like ducks, to those huoyant waters we knew less than 20 years ago.

P. W. Saunders.
24-32, Kilburn High Road, NW6.

Full details on bank statements

From the Managing Director, Solihull Staff Agency

Sir,—Mr D. T. Riley criticises the NatWest Bank statements in his letter (July 2). If Mr Riley were, as I do, to bank at Adam and Co., in Edinburgh (the first new Scottish bank for nearly 150 years), he would find not only that the debits and credits are totalled on his statement, but full narrative details of each entry are given, and an additional sheet is provided on which expenditure and income is analysed according to codes which he would indicate on his cheques and paying-in slips.

John G. Fenwick,
62, Poplar Road, Solihull.

The insidious power of size

From Mr P. Richardson

Sir,—Your leader (July 1) on the report of the Office of Fair Trading on "competition and retailing" made a number of important points. Although the report cleared the big supermarkets of ahuse of power, you rightly pointed out that not all benefits of huying power are passed on to the consumer. It is no accident that the returns of the big food retailera are about 5 per cent ahove the industrial averaga, and almost doubla those of food manufacturing.

Although the OFT concluded that special discounts do not constitute unfair competition yonr view was that the argnment was not wholly convincing. However, you concentrated your attention solely on the effects of such competition on the small retailer, and in so doing you missed the very important effects on both food manufacturers and primary producers.

Producers of food are generally small husinesses with little control over the selling price of their goods. Agricultural support measures in industrialised countries are partly a response to the need of such husinesses for stability and protection. Food manufacturers, though often large husinessea, are still quite amall in relation io the multiple retailers with whom they must deal. There is little "countervailing power" to withstand the price pressure exerted by such major buyers, and in consequence returns to food manufacturers are low. This in turn tends to underinvestment — a prohlem seen in the UK industry over some years. For prodncers the result is pressure on their prices, and a reduction in home market ahare as imports are sucked in.

I regret that so little attention has been given to this insidious power of one industry to control the fortunea of another. It is not true, certainly in the longer term, that benefi to the consumer ahould always he the aole criterion on which matters of fair or unfair competition are judged. The power of the multiple retailer is excessive at this time, and although some benefits accrue to the consumer, some serve only to transfer wealth to shareholders and away from other businessea. Reduced home production, increased imports and the social conseqnences of amall retailers, farmers and food manufacturers heing squeezed out of husiness are matters of national inieresi and a cost to the community at large.

Philip Richardson.
Monor Farm, Wramplingham Road, Wymondham, Norfolk.

Discounting the local grocer

From Mr R. K. Draper

Sir,—Your editorial on the OFT's report on discount structurea made some interesting points. However, there are two other major problems facing tha small retailer.

First, most independents shop from the local Cash and Carry. Major suppliers in this area include Linfood and Argyle, hoth of wbich have considerahle retail interesis (Gateway and Presto). The problem is that in some cases it is cheaper for a small retailer to buy from the retail side of the supplier, rather than from the Cash and Carry. So the corner ahop stands no chance of competing with the high street stores on price!

Secondly, most Cash and Carry stores offer retailers "own hrand" products which, if sold at low enough margins, are cheaper than the hrand leaders. However, while suppliers spend considerable sums of money in advertising these products to the trade, none of the advertising is aimed at the consumer, apart from window displays provided free for the retailer. Suppliers would help the local shopkeeper more if promotional expenditure were aimed at the housewife; after all, there is no point in atocking competitive lines if no-one knowa aboui them.

But to advertise in this way would produce another conflict of intereats, because if the small shopkeeper increased his trade, the Gateways and Prestos would inevitably suffer.

R. K. Draper,
2 King's Road, Rushden, Northants.

Debt burden cannot be bridged

From Mr J. D. Sutherland

Sir,—The "unmanageable" burden of deht referred to in Nick Garnett's article on the Humber Bridge (July 5) was inevitable from the outset.

In the days when you had to cross by ferry, a car cost ahoui £6. Yet on a hridge which has already cost £232m and on which the debt is growing by £44 a minute, they still charge only £1 per car.

The luckless people of Humberside bave been saddled with a monstrous debt which can never be paid off, because the decision to build was taken for purely political and prestige reasons.

J. D. Sutherland,
41 Westella Way, Kirkella, Hull.

A free market in conveyancing

From Mr D. S. Porter

Sir,—As a practising solicitor in the North West, I read Sue Cameron'a article (June 27) with interest.

Whether or not those who wish to see the conveyancing market opened op are aatisfied, there is no doubt that conveyancing feea generally have fallen hy in excess of 30 per cent over the last 12 months. My own practice now charges ½ per cent of the consideration on sales and ¾ per cent on purchases, with minimum chargea of £140 and £185 plus VAT respectively. Given that the average house in this area sells for about £25,000, I would douht that local solicitors have much to fear from the hanks and huilding societies in competitive terms. What, however, does concern me is that there is a clear conflict of interest in some cases. In the past three months, the following instances have arisen.

● A major hank offered a small mortgage (£12,000) to an architect client of mine, hut this offer was subsequently withdrawn because the hank's mortgage department had spoken to the same hank and had heen advised that he had a small overdraft.

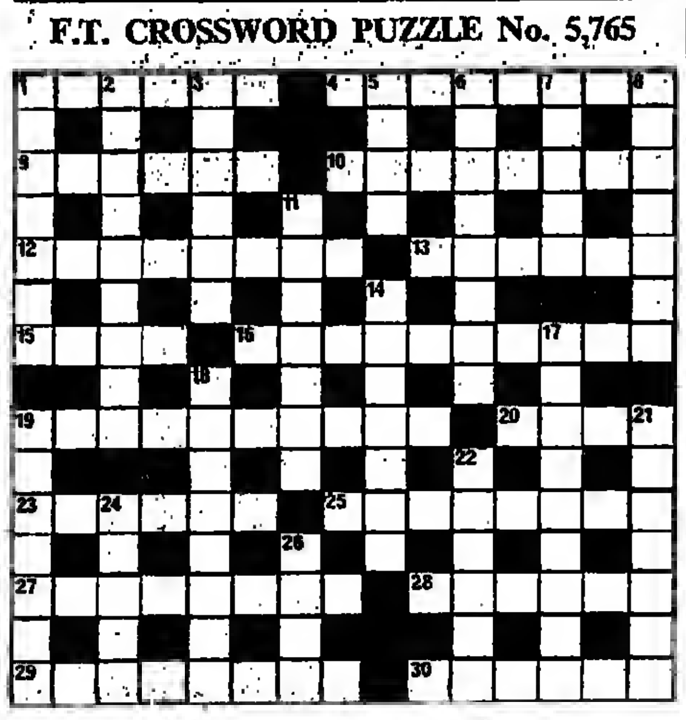
● The senior partner in a local firm of solicitors applied to two major huilding societies for a small mortgage loan, and was told that he would have to take out life insurance cover in spite of the fact that he had already got suhstantial insurances. In fact, the insurance suggested was totally inappropriate as adequate cover could be ohtained under a pension scheme, and a pension must be a better investment when you are in yonr late 50s.

● A young couple who were first-time huyers and on a very tight budget applied for a mortgage loan to assist in a house purchase. The bushand had recently lost his job hut the wife was in a secure joh. On the huilding society's advice, they had to arrange life endowment cover although this was an added expense. The society was aware of the couple's tight budget, hut did not advise the conple of the commission that it would receive from the insurance company.

Most people purchasiog honses in the price range with which I mainly deal are usually more than delighted to obtain the mortgage loan they apply for and, therefore are prepared to accept any terms which appear reasonahle. As they bave no yardstick against which to compare the terms, they can only agree as, if they do not, they would risk having their mortgage offer withdrawn.

David Porter.
20-22, Bowkers Row, Bolton, Lancs.

F.T. CROSSWORD PUZZLE No. 5,765



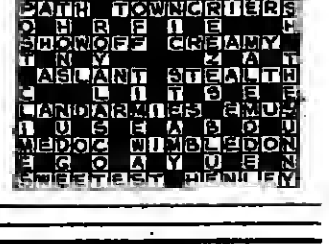
ACROSS

1 Stick given as business present (8)
4 Left surrounded by drinks, so stays (8)
9 A large number hreak loose (8)
10 A foreign girl will take it in foreign coin or note (8)
12 One part of the church—or could be ten parts (8)
13 Start battling wiih weight in apring (8)
15 Revile a flighty creature (4)
16 Marked as declared (10)
19 Dogs recovering (10)
20 Pole given a cup and self-satisfied in consequence (4)
23 Effective temporary housing at the river-side (6)
25 A requirement for travelling pop-stars maybe (8)
27 Noisy guy in the drawing-office? (8)
28 One has to drive around such a vchicle (8)
29 Going right back to a right turning (8)
30 Traditional food a dreadful old woman set hafore fighting men (6)

DOWN

1 Providing the church with more suitable reading-matter (7)
2 A man having a simple answer for every ill (9)
3 About to amalgamate in decline (6)
5 An employer—sure to be (4)
6 Stop meeting professional scoundrel (8)
7 A rule some foreigners resent (5)
8 Growth to cause astonishment in children (7)
11 Favour writing a couple of pages on range (7)
14 Petition for reni adjustment put away (7)
17 Making music ls caiming (9)
18 The end of the day (8)
19 Decorate the home again, up and down (7)
21 Infers the rags are to be recycled (7)
22 Stifling complaint (6)
24 Health-giving way of treating hread (5)
26 Called hack io snarl (4)

SOLUTION TO PUZZLE No. 5,764



APPOINTMENTS

Senior Unigate Group posts

Mr David Bullough has been appointed special projects director, UNIGATE, from August 1. Mr Roger Davenport has heen apppointed maoaging director of UNIGATE MEAT HOLDINGS from August 1.

★

Mr John Buddle has been appointed an assistant general manager in LLOYDS BANK'S corporate hanking division. He was formerly chief manager of the bank'a city office. Mr Wayne Kitcat has heen promoted to deputy chief manager, corporate hanking, from manager in the same division.

★

Following the merger of the IMPERIAL LIFE UK operations and Trident Life, Mr John Sutton becomes chief operating officer aod Mr Iain Tweeddale operations director. Mr Sutton was previously administration director of Imperial Life and Mr Tweeddale assistant director—investments.

★

Mr E. G. Dunnoos, Mr C. J. Preen and Mr D. L. Tyler will be joining the partnership of L. MESSEL & CO, stockhrokers, on July 13.

★

FIRST NATIONAL FINANCE CORPORATION has appointed Mr Maurice Davenport and Mr Benedict M. P. Thompson-McCausland as non-executive directors. Mr Davenport was managing director of Williams & Glyn's Bank and Mr Thompson-McCausland is chief executive of The Loodon Life Association.

★

Two appointments have been made at LONDON AND CONTINENTAL ADVERTISING HOLDINGS. Mr Tim Stovold has been appointed to the main hoard as group finance director. He joins from Iochcape, where he was finance director of Inchcape Europe, based in Brussels. Mr J. K. (Ken) Brown joins as director of legal services. He was previously regional counsel with Rank Xerox.

★

SKF has appointed Mr Clive Franklin to head up a newly formed north American bearing division, incorporating their U.S., Canadian and Mexican operations. Mr Franklin was previously maoagiog director of SKF (UK). Mr Nelson McCracken has been appointed managing director of SKF (UK). Mr McCracken was previously managing director of SKF's Indian subsidiaries.

★

PANNELL KERR FORSTER has reorganised its internal organisation as follows: Mr Claude R. Brown has been appointed its first national chairman. A five-man management committee has been elected consisting of Mr Jim Cain, Mr Mick Maton, Mr Richard Pearson, Mr Kevin Sykes and Mr Roger Hursthouse. Mr Tim Richmond has heen appointed its first managing partner. Mr Brown was previously chairman of the British aod Irish Association of the firm for the past year.

★

H. E. SAMSON has made the following board appoiotments: Mr Horst H. Gross, managing director; Mr Chris Thorlow, sales director aod Ms Rnth Y. Munjee, company secretary.

★

THE PERIODICAL PUBLISHERS ASSOCIATION has appointed Sir Bernard Audley, chairman AGB Research, its president. Mr Brian Downing, Mr Malcolm Gill and Mr Graham McVey have become directors.

★

H. P. BULMER HOLDINGS has appoioted Mr Ekkehard Schrirrmacher as a director. He haa heen managing director of the overseas drinks divisiou of Bulmers since 1982.

★

Mr Ray Sheppard has been appoioted maoaging director of the WD-40 COMPANY, UK subsidiary of the American manufacturer. The company begins handling its own production, marketing salea, and distribution on September 8 from its new factory at Miltoo Keynes, when it takes over from the current European liceocee on the terminatioo o fthe existing arrangenation of the existing arrangemeot.

★

W. S. TRY has made a major reorganisation of the group activities. Two new construction divisions emerge, one to undertake the larger contracts and major refurbishment schemes and the other to specialise in the smaller projects and various property maintenance contracts. Mr John Try and Mr Pete Cole are appointed divisional managing directors. The activities of the homes building companies are combined in to a new homes division, to he headed up by Mr Michael Deasley, whilst plant hire and other service companies are incorporated in a group services division under Mr Gordon Whitmore. Property development interests, both industrial and commercial, are combined in another divisioo, in which the role of divisional managing director will be filled by Mr Hugh Try, also the group managing director. As a result of these changes to the main hoard of W. S. Try (Holdings) is to be reorganised to reflect the new divisional structure. Mr Cole and Mr Deasley are both appointed directors.

★

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80, Holdenhurst Rd., Bournemouth 0202 292373

Allied Dunbar Unit Trusts PLC (a)(g)
Allied Dunbar House, Hotton, Brentwood, Essex Brentwood. (0277) 211459 & 229123

Brown Shipley & Co. Ltd. (a)(g)
9-17 Perrymount Rd, Haywards Hth 0444 458144

Buckmaster Management Co. Ltd. (a) (c)
The Stock Exchange, EC2P 2JT. 01-588 2868

CS Fund Managers Limited
125 High Holborn, London WC1V 6PY. 01-242 1148

Canada Life Unit Trust Mngrs. Ltd.
2-6 High St, Potters Bar, Herts. P Bar 51122

Cannon Fund Managers Ltd. (z)
1, Olympic Way, Wembley, HA9 0NB. 01-902 8876

Capel (James) Mngt. Ltd.
100, Old Broad St., EC2N 1BQ. 01-588 6010

G. & A. Trust (a) (g)
5 Rayleigh Road, Brentwood.

G.T. Unit Managers Ltd.
8th Floor, 0 Devonshire Sq., London. 2575. Dealing: 01-626 9431.

Gartmore Fund Managers
2 St Mary Axe, EC3A 8BP.

Govett (John) Unit Mngt.
Winchester Hse, 77 London Wall.

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252 High Holborn, WC1V 7EB 01-405 8441

Pearl Growth Fd	60.2	64.0	+0.1	3.54
Accum Units	86.9	[illegible]	+0.1	3.54
Pearl Inc	86.0	91.5	-0.5	5.18
Pearl Unit Tst	89.1	94.8xd	-0.5	4.40
(Accum Units)	150.8	160.4	-0.7	4.40

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames 0491 576868

Growth	177.1	190.6	-1.9	1.51
Income	133.6	143.1	-1.2	5.41
Worldwide Recovery	100.1	107.5	-1.3	2.12
American Growth	56.5	60.7	-0.8	0.66
Intl. Emerging Cos.	56.1	60.4	-0.4	0.78
Far East Growth Fd.	46.3	49.7	-0.6	1.00

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 75447

Prolific Far East	100.3	107.5	-2.1	0.34
Prolific Extra Inc	59.3	63.7xd	-0.3	6.22
Prolific Gilt Cap.	80.9	84.2	+0.3	3.77
Prolific High Inc	122.1	131.3	-0.5	5.62
Prolific Intl	81.6	87.4	-1.0	1.87
Prolific N. Amer	117.2	125.6	-1.7	1.58
Prolific Spec. Sits	129.7	139.5xd	-0.9	1.82
Prolific Technology	100.8	107.6	-1.5	0.94

Providence Capitol Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9171

Japan Trust	48.0	50.8	-0.8	0.08
Worldwide	47.7	50.5	-0.4	1.64
European Trust	48.5	51.4	+0.2	1.69
North American	50.8	53.8	-1.0	2.11
UK Equity	48.1	51.0	-0.1	4.00

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-59, Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

Holborn Equity Tst	307.0	326.5	-2.4	3.61
Holborn Gilt Tst.	151.4	158.3	-0.5	0.89
Holborn High Inc	53.2	56.5xd	-0.3	7.58
Holborn Intl.	59.0	62.72xd	-1.0	0.61
Holborn UK Growth	61.5	65.4	-0.4	3.64

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2. 01-600 4177

Quadrant Gen. Fd.	307.2	326.9		1.70
Quadrant Income	171.0	182.0xd		6.91
Quadrant Intl. Fund	299.3	315.6		1.51
Quadrant Recovery	188.3	200.4		3.56

Reed Stenhouse Inv Services Ltd
145 Borough High St. Lon SE1 1NV 01-628 6011

Wellington Inc	48.1	51.2		6.00
Wellington Growth	97.9	104.2		2.00

Reliance Unit Mgrs. Ltd.
Reliance Hse, Tunbridge Wells, Kent. 0892 22271

British Life	129.4	136.8	-0.1	4.73
Reliance Unit Tst (Inc)	82.5	88.2		4.31
Reliance Ut Tst (Acc)	106.4	113.7		4.31

Ridgefield Management Ltd.
35 Fountain St, Manchester M2 2AF. 061-236 5685

Income UT	88.4	94.5xd	-0.2	7.14
International UT	208.9	223.4xd	-1.6	1.00

N.M. Rothschild Asset Management
St Swithin's Lane, London EC4. 01-280 5456

NC America (Inc)	234.2	246.5	-4.3	1.36
NC America (Acc)	248.8	261.8	-4.6	1.36
NC Engy Res. Tst.	154.5	162.6	-2.0	2.53
NC Inc Fd.	66.3	69.1	-0.3	5.12
NC Japan Fund	105.4	110.9	-1.7	0.02
NC Smaller Cos	101.9	107.2	+0.1	2.19
NC Smaller European	101.1	106.4	+0.2	0.42
NC Exempt Gilt Tst*	£118.0	123.0		10.91
NC American Prop*	$11.21	11.80xd		
NC Prop.*	178.0	196.0		

*Unauthorised Unit Trusts

Rowan Unit Trust Mngt. (a)
1 Finsbury Av, London, EC2M 2PA. 01-606 1066

American July 2	192.0	196.0		1.55
Securities July 2	527.0	542.0	-12.0	2.49
High Yield July 5	122.5	126.0		6.23
Merlin July 5	257.0	265.0		2.04
Fixed Interest	150.0	151.0	+0.5	2.85
High Interest	117.5	118.5xd	+0.5	12.56
Far East July 2	117.5	121.0xd	-2.0	1.14

Royal Life Fd. Mgmt. Ltd.
New Hall Place, Liverpool L69 3HS. 051-227 4422

Equity Trust	45.6	48.5	-0.3	3.24
International Trust	54.5	57.9	-0.9	1.68
United States Trust	27.2	28.9	-0.5	1.97
Pacific Basin	23.6	25.1	-0.2	0.63
Gilt Trust	24.8	26.1xd	+0.1	8.13

Royal London Unit Tst Mgrs Ltd
Ryl. Ldn Hse., Colchester, CO1 1RA 0206 576115

American Growth	67.3	71.7	-0.5	1.23
Capital Accum	135.9	144.6	-1.0	3.46
Gilt Income	49.8	52.5	+0.2	9.74
High Income	50.4	59.0	-0.3	7.10
Income & Growth	66.0	70.3	-0.6	5.27
Japan Growth	47.3	50.4	-0.1	0.10
Special Sits	74.2	79.0	-0.4	2.21

Royal Trust Can. Fd. Mgt. Ltd.
48-50, Cannon St, London EC4N 6LD 01-236 6044

Capital Fund June 28	137.8	147.4		2.1
Income Fund June 28	120.7	129.1		6.80
Intl Exempt* June 28	$22.84	23.67		2.90

*Unauthorised

SKG Management Limited
20 Copthall Ave, EC2R 7JS. 01-600 7595

Gilt Acc.	107.4	111.9		3.56
Do. Dist.	105.6	110.0		3.56
Inc & Gwth ex Rowan	121.2	129.5		3.04
Do. Accum	121.2	129.5		3.04

Save & Prosper Group
28, Western Rd., Romford, RM1 3LB.
68-73 Queen St, Edinburgh EH2 4NX.
(Romford) 0708-66966 or (Edin.) 031-226 7351

Capital	80.4	85.9xd	-0.8	2.58
I.T.U.	65.2	69.7	-0.1	3.15
Select International	57.4	61.3	-0.5	2.82
Univ. Growth	62.5	66.4	-0.8	2.20
High-Yield	117.5	125.0	-0.3	5.81
Scotyield	115.4	122.7	-0.3	4.67
Smaller Cos. Inc. Fd.	112.4	119.5	+0.1	3.82
Gilt & Fxd. Int. Inc.	57.9	54.7	+0.2	11.31
High Return	133.9	142.4	-0.1	5.67
Income	74.3	79.0		6.92
Gilt & Fxd Int. Grth	74.6	75.9	+0.3	5.36
Scotshares	122.4	130.2xd	-0.2	4.49
UK Equity	130.7	139.1	-0.6	3.63
Amer Inc & Gwth Fd (z)	61.3	65.5	-0.3	7.86
European (z)	57.2	60.8	-0.3	1.46
Japan (z)	48.0	51.0	-0.8	
Japan Smaller Cos (z)	68.8	73.5	-0.9	
S.E. Asia (z)	91.7	97.5	-0.7	1.99
U.S. (z)	61.2	65.1	-0.4	0.61
Commodity	50.0	53.1	-0.4	2.91
Energy	49.5	52.6	-0.6	2.76
Exploration Fund (z)	31.9	33.9	+0.1	0.96
Financial Secs.	70.7	75.1xd	-0.3	2.71
New Technology (z)	81.7	86.9	-0.8	
Scotbits	99.6	105.9	-0.5	1.70
Special Situation Fd.	70.3	75.1xd	-0.3	2.87
Intl. Bond Fd. (z)	85.9	91.3	-0.4	5.90
Exempt Income*	61.2	64.1		6.30
Exempt Intl.*	52.0	54.5		3.27

*Prices on June 24

Schroder Unit Trust Managers Ltd.
Enterprise House, Portsmouth. 0705 827733

American	107.4	114.4	-2.7	1.65
(Accum Units)	108.8	115.9	-2.7	1.65
Australian	55.7	59.3	-0.5	1.42
(Accum Units)	59.1	63.0	-0.4	1.42
European	63.7	67.9		1.66
(Accum Units)	64.8	69.0		1.66
Extra Income Fd.	47.4	50.5		7.92
(Accum Units)	47.4	50.5		3.92
Gilt	53.2	56.1	+0.2	10.70
(Accum Units)	73.7	77.7	+0.3	10.70
Gold Fund Inc.	37.1	39.5	-0.3	3.80
(Accum Units)	38.0	40.5	-0.4	3.80
Income	124.6	132.8xd		6.05
(Accum Units)	267.7	285.3		6.05
Intnl.	82.0	86.4xd		1.27
(Acc. Units)	112.7	120.1		1.27
Jap. Smaller Cos.	63.7	67.9	-0.6	0.1
Singapore	56.5	60.2xd	-0.6	10.78
(Accum Units)	57.4	61.1	-0.6	10.78
Smaller Co's	99.6	106.1xd		1.85
(Accum Units)	103.4	110.2		1.85
Special Sits. Fd.	77.9	83.0	-1.3	1.52
(Accum. Units)	80.1	85.3	-1.3	1.52
Tokyo Inc	110.3	117.5	-2.3	0.37
(Accum Units)	111.0	118.3	-2.3	0.37
U.S. Smaller Cos. Fd	49.9	53.1		8.26
UK Equity†	75.7	80.7xd		3.85
(Accum. Units)†	115.0	122.5		3.85
*Pens & Charity Fund	455.8	485.9		4.11
*Recovery	559.7	596.6		3.02
*Spec Ex	923.9	984.9		1.86

*For tax exempt funds only. †After 4 for 1 Sub-Division.

Scottish Equitable Fund Mgrs. Ltd.
31 St Andrews Sq, Edinburgh 031-556 9101

Income Units	112.9	120.2	-1.7	3.87
Accum. Units	163.3	173.8	-2.3	3.87

Dealing day Wednesday.

Scottish Life Investments
19 St Andrew Sq, Edinburgh 031-225 2211

UK Equity	121.1	129.6	-0.4	2.71
American	135.3	144.8	-1.4	1.42
Pacific	97.5	104.3	-1.4	0.10
European	122.1	130.6		1.11

Scottish Mutual Investment Managers Ltd.
109 St. Vincent St, Glasgow G2 5HN. 041-248 6100

European	100.0	107.2	-0.3	1.16
Gilts & Fixed Inc.	101.3	108.2	+0.4	9.22
North American	93.7	99.7	-1.7	1.25
Pacific	91.5	97.3	-0.9	0.4
UK Equity	123.4	131.3		3.00
UK Smlr. Cos. Equity	99.2	105.5	-0.5	2.43

Scottish Provident Inv. Mgt. Ltd.
6 St Andrew Sq, Edinburgh 2. 031-556 9181

Equity Acc.	124.5	133.2	-0.7	1.74
International Acc.	118.2	126.4	-2.0	1.33
Gilt & Fxd Int. Acc.	108.4	111.9	+0.4	9.36
Index-Lkd Secs Acc.	101.4	108.7		2.30

Scottish Unit Managers
29 Charlotte Sq, Edinburgh. 031-226 4372

Pacific Fund (z)	32.1	34.4xd	-0.4	
World Growth	28.0	30.0	-0.4	0.77
North American (z)	30.4	32.6xd	-0.3	0.85
Income Fund	32.4	35.2	-0.1	6.01
European (z)	22.8	24.4	-0.1	1.31

Scottish Widows' Fund Management
P.O. Box 902, Edinburgh EH16 5BU. 031-655 6000

Pen Eq Acc July 9	193.8	206.3	-0.8	3.97

Standard Life Trust Mgmt. Ltd.
3, George St., Edinburgh, EH2 2XZ. 031 225 2552

Income Units	186.4	198.8	-0.1	3.79
Accum. Units	200.9	215.4	-0.1	3.79

Stewart Ivory Unit Trust Mgrs Ltd.(a)
45, Charlotte Sq, Edinburgh 031-226 3271

American Fund	191.0	203.6	-1.6	0.77
(Accum. Units)	210.5	224.4	-1.7	0.77
(Withdrawal Units)	139.4	148.6	-1.2	0.77
Australian Fund	100.0	106.5	-0.7	1.17
British Capital*	423.9	411.6	+1.4	4.61
(Accum. Units)	553.2	589.3	+7.1	4.61
European Fund	172.7	184.0	-0.6	1.01
Japan Fund	173.3	184.8	-3.9	0.51
Saints PPP	124.3	130.9		

Deal. *Wed.

Sun Alliance Fund Management Ltd.,
Sun Alliance Hse, Horsham. 0403 56293

Equity Tst.	298.2	313.2	-2.5	1.15
North America	47.3	50.3	-1.7	1.01
Far East	48.8	51.9	-0.4	0.87

Sun Life Trust Mgmt. Ltd.
107 Cheapside, EC2V 6DU. 01-606 6010

American Growth Acc.	23.4	24.9	-0.5	2.0
American Income Acc.	22.9	24.4	-0.4	5.1
American Income Inc.	22.9	24.4	-0.4	5.1
European Growth Acc.	25.8	27.4	-0.2	3.2
Far East Growth Acc.	23.8	25.3	-0.5	1.0
Inc. Growth Acc.	23.4	24.9	-0.4	1.0
Japan Growth Acc.	35.5	37.2	-0.3	0.5
UK Growth Acc.	23.5	25.0		3.0
UK Income Acc	23.1	24.8	-0.1	5.0
UK Income Inc.	23.3	24.8	-0.1	5.0

Swiss Life Pen. Tst. Man. Co. Ltd.(a)(c)
99-101 London Rd, Sevenoaks. 0732 450161

Equity Dist.*	207.3	219.2		4.18
Equity Acc.*	245.9	260.2		4.18
Fixed Int. Dist.†	114.8	118.5		11.41
Fixed Int. Acc.†	161.5	167.3		11.41

*Prices on July 1 Next dealing July 10
†Prices on July 3 Next dealing August 7

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants, SP10 1PG
0264 62188 Dealings to 0264 63432 3

TSB American	96.0	102.2	-2.0	1.15
Do Accum	98.9	105.3	-2.0	1.15
TSB Extra Income	83.1	88.5	-0.5	6.52
Do Accum	92.3	98.5	-0.5	6.52
TSB General	112.0	170.0xd	-2.1	3.50
Do Accum	182.7	194.5	-0.9	3.50
TSB Gilt & Fxd Int	47.1	49.1	+0.5	9.40
Do Accum	56.9	59.3	+0.2	9.40
TSB Income	155.7	165.7xd	-0.5	5.26
Do Accum	234.8	249.8	-0.3	5.26
TSB Pacific	103.0	109.6xd	-1.4	1.07
Do Accum	105.6	112.4	-1.4	1.07
TSB International	226.3	240.7	-2.7	1.92
Do Accum	275.3	292.9	-0.3	1.92
Natural Resources	44.2	47.1		2.60
Do Accum	44.6	47.5	-0.1	2.66
TSB Sictd Opps	44.1	47.2	-0.3	2.75
Do Accum	47.7	50.8	-0.3	2.75

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks Aylesbury (0296) 5941

Small Co's Fund	66.4	70.4	-0.5	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd, Aylesbury Bks (0296) 5941

American Eagle	65.6	70.2xd	-2.2	0.27
Australia	27.2	29.0	-0.3	0.10
Commodity	89.6	96.3	-0.7	1.79
Energy	40.2	43.0xd	-0.5	0.81
Equity	93.6	94.8xd		3.97
European Spec. Sits	49.1	52.5	-1.1	0.95
Extra Income	87.0	93.9	-0.5	7.72
Financial	191.0	203.7xd		1.03
Gilt Capital	216.1	226.3	-0.6	1.25
Gilt Income	101.9	106.7	+0.4	8.98
Gold Income	61.6	65.9	+0.6	2.32
Gold Acc.	111.3	119.0	+1.3	2.32
Income	55.9	60.1xd	+1.0	6.23
Japan	44.5	47.5	-0.9	0.10
Malaysia & Singapore	22.3	24.0	-0.3	1.70
Pacific Income	63.6	68.0	-1.7	0.92
Pacific Re Inv	77.0	82.4	-2.0	0.92
Preference Share	15.6	16.5xd		10.05
Professional	459.1	491.1	-1.8	1.78
Special Sits	77.0	82.4	-1.2	2.73
Technology	41.7	44.6	-0.6	0.10
U.S. Special Bond	49.3	52.7	-0.7	6.44
Worldwide Capital	108.0	115.2xd	-0.6	1.80
Equity Exempt July 9	587.7	626.9	-4.2	2.41
Equity Ex Acc July 9	1,080.2	1,152.2	-7.7	2.61

Temple Bar Unit Trust Mgrs Ltd
Electra Hse, Temple Pl, Vic Emb, WC2. 836 7766

Electra Small Cos. Fd.	117.70	124.18		4.17
High Income	41.3	44.7	+0.5	1.24
North American	104.3	111.0	-1.7	0.80
Recovery	115.4	122.8	-0.3	4.14
Gilt Trust	37.9	39.3	+0.2	9.66
St Vincent U.S. Gwth	68.8	71.7	-1.3	0.93
St. Vincent High Inc.	66.5	68.6	-0.1	6.55

Touche, Remnant Unit Trust Mngt. Ltd.
Mermaid Hse, 2 Puddle Dock, EC4. 01-248 1250

TR American Growth	27.1	29.2	-0.2	0.22
TR General Growth	36.1	38.4xd	-0.2	2.51
TR Global Tech	26.9	28.7	-0.3	0.10
TR Income Growth	42.8	46.1xd	-0.1	5.42
TR Income Monthly	38.3	40.8	-0.1	7.66
TR Overseas Growth	31.9	33.9	-0.4	1.82
TR Smaller Cos.	39.1	41.6	+0.1	1.90
TR Special Ops	40.9	44.1	+0.1	1.23

Trades Union Unit Trust Managers
100, Wood Street, EC2. 01-628 8011

TUUT July 1	123.0	129.5		4.00

Transatlantic and Gen. Secs. (c) (y)
91-99, New London Rd., Chelmsford. 0245-51651

Colemco July 1	359.1	375.7		4.74
(Accum. Units)	574.1	599.8		4.74
Fielding Fd July 4	180.5	193.7		3.87
(Accum. Units)	196.0	210.3		3.87
Fielding Inc. July 4	129.5	136.4		5.40
Fielding BM&Gen July 4	204.9	215.7		1.62
(Accum. Units)	230.4	242.6		1.62
S&W American July 3	139.1	146.5		2.26
S & W Smaller Secs.	91.6	96.5		2.26

Tyndall Managers Ltd.(a)(b)(c)
18, Canynge Road, Bristol. 0272 732241

Australian Securities	61.4	66.0xd	-0.4	0.73
(Accum. Units)	63.1	67.8	-0.4	0.73
Capital	251.0	267.0xd	-1.4	4.30
(Accum. Units)	438.2	464.6	-2.8	4.30
Exempt	213.2	231.4xd	+0.4	7.41
(Accum. Units)	470.6	501.3	-1.2	7.41
Far Eastern	117.2	125.8	-0.9	1.04
(Accum. Units)	124.5	133.6	-0.9	1.04
Fin & Prop	39.2	41.8		4.21
(Accum. Units)	59.4	63.3	-0.1	4.21
Gilt Capital Trust	114.2	118.7	+0.3	7.16
(Accum. Units)	125.0	130.0	+0.4	7.16
Gilt Income	103.9	107.8xd	+0.3	10.17
(Accum. Units)	156.3	162.3	+0.5	10.17
High Yield	39.3	42.1	-0.2	7.36
(Accum. Units)	82.2	87.6	-0.3	7.36
Income	170.6	181.0xd	-0.2	6.84
(Accum Units)	503.4	534.0	-0.8	6.84
Int. Ernls	119.6	127.4	-1.0	3.33
(Accum. Units)	169.6	180.8	-1.0	3.33
International Growth	57.0	60.8	-0.2	1.63
(Accum. Units)	58.3	62.1	-0.2	1.63
Japan Growth (Acc)	58.2	62.5	-0.8	0.20
Natural Resources	186.9	198.8	-0.8	1.73
(Accum. Units)	264.8	282.7	-1.2	1.73
Nth Amer Grth	105.3	112.7xd	-1.3	1.63
(Accum Units)	120.6	129.1	-1.4	1.63
Pref	108.6	115.8	-0.2	11.17
(Accum. Units)	258.6	275.6	+0.4	11.17
Smaller Cos.	135.7	144.6		2.55
(Accum Units)	177.4	189.5	-0.1	2.55
Smaller Cos. Div	43.2	46.0xd		3.08
(Accum Units)	47.3	50.4		7.08
Special Sits	78.8	84.0	-0.4	2.96
(Accum. Units)	81.0	86.3	-0.4	2.96
European Growth	54.3	57.9	-0.2	1.40

Unit Trust Account & Mgmt. Ltd.
Regis Hse, King William St, EC4R 9AR. 01-623 4951

Friars Hse Cap. Fd.	99.9	106.3xd		2.35

Vanguard Trust Managers Ltd.
Bath Hse, London, EC1A 2EU. 01-236 5080

American & Gen July 9	48.4	51.5	+0.8	2.00
Growth July 9	129.1	138.1	-2.1	1.12
(Accum Units)	183.6	192.1	+3.0	3.12
High Yield July 9	143.5	151.0	+1.2	6.24
Special Sits July 3	271.4	285.7xd		3.33
Trustee July 3	95.4	100.4		4.59
(Accum Units)	139.1	147.5		4.59

Wardley Unit Trust Managers Ltd (a)
Wardley Hse, 7 Devonshire Sq, EC2. 01-626 4411

American Tst.	59.6	64.0xd	-1.2	2.0
Far East & Gilt Tst.	53.0	61.1	-1.0	1.4
Natural Resources	41.8	44.4xd	-0.8	3.0
Income Tst	56.5	60.8		6.0
Japan Growth Tst	60.6	65.2	-1.1	0.2
Smaller Cos. Tst	107.9	116.1	-0.8	2.0
Technology Tst	26.8	28.8	-0.3	0.2
Australia Trust	35.3	37.9	-0.3	1.1
UK Trust	90.5	97.4xd	-0.6	3.0
European Growth Tst	26.3	28.0xd	-0.3	1.8
Hong Kong Tst	21.9	23.3	-0.4	2.0

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh. 031-225 1551

Australasian Gold	17.9	19.1	+0.4	0.10
Pacific Basin Energy	19.6	20.9	-0.4	0.10
Canadian Balncd Grwth	47.1	50.3		3.00

WestAvon Unit Trust Managers Limited (a) (c)
9 Portland Square, Bristol, BS2 8SS. 0272 428431

British Growth	47.8	50.7		3.0
British Income	47.9	50.8		5.7

Whittingdale Unit Trust Managers
2 Honey Lane, EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	56.3	57.2		1.49

Wright Seligman Fund Managers Ltd.
11, Blomfield St., London, EC2M 7AY 01-588 0592

Growth Fund	53.1	56.1xd	-0.6	1.41

Weekly dealing day Tuesday

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngs Ltd)
PO Box 93, Cardiff CF1 4NW. 0222 35542

AA Friendly Sy June 14	82.1	82.3		

Abbey Life Assurance Co. Ltd.
80, Holdenhurst Road, Bournemouth. 0202 292373

Prop Ser 1	208.0	219.8		
Equity Ser 1	79.6	83.8	-0.1	
Prop. Acc. Ser 2	270.5	284.8		
Equity Acc. Ser. 2	84.6	89.1		
Selective Acc.	201.5	214.3	-0.1	
Money Series 3	201.5	212.3	+0.3	
Conv. Ser 3	216.2	227.6	+0.3	
Prop. Ser. 4	213.0	224.3	+0.1	
Equity Ser 4	89.5	94.3		
Fixed Inc. Ser. 4	167.3	176.2	-0.4	
Indexed Inv. Ser. 4	108.6	114.4	+0.2	
American Ser 4	231.0	241.2	-1.5	
High Inc. Ser. 4	216.1	227.9		
Japan Ser 4	161.6	170.2	-3.4	
Man. Ser 4	289.0	304.3	-0.7	
Money Ser. 4	181.4	191.0	+0.3	
Convertible Ser. 4	107.6	157.2	+0.3	
Property Ser 4 Cap	145.2	152.9	-0.1	
Equity Ser 4 Cap	60.8	64.1	-0.1	
Managed Ser 4 Cap	198.2	208.7	-0.6	
Money Ser 4 Cap	124.5	131.1	-0.1	
Fixed Int Ser 4 Cap	153.3	161.4	+0.3	
Indexed Inv S 4 Cap	95.5	100.6	-0.1	
American Ser 4 Cap	211.0	222.2	-1.6	
High Inc Ser 4 Cap	197.0	208.3	-0.1	
Japan Ser 4 Cap	147.1	155.3	-3.3	
Pension Funds				
Property	340.7	358.7	+0.2	
Equity	566.7	596.6	-1.8	
Selective	211.3	222.4		
Managed	477.0	502.2	-1.7	
Security	299.3	315.6	-0.7	
Fixed Int	171.9	181.0	+0.4	
Indexed Inv	109.9	115.7	+0.2	
American	184.7	194.4	-1.3	
Japan	150.9	158.9	-4.2	
Property Cap.	192.9	203.1	-0.2	
Equity Cap.	325.9	343.1	-1.1	
Managed Cap	271.6	285.9	-1.4	
Security Cap	168.2	177.1	+0.2	
Fixed Int. Cap.	127.4	134.7	-0.2	
Indexed Inv. Cap	89.9	94.7	+0.1	
American Cap.	160.4	169.1	-1.3	
Japan Cap	131.9	138.9	-3.9	
Property Cap 2	334.4	352.1	-0.1	
Equity Cap. 2	556.1	585.8	-1.8	
Managed Cap 2	468.3	493.0	-2.1	
Security Cap 2	294.4	309.9	+0.5	
Fixed Int. Cap. 2	168.0	177.7	-0.4	
Index Inv Cap. 2	107.9	113.6	+0.2	
American Cap. 2	180.4	189.9	-1.4	
Japan Cap 2	148.2	156.0	-4.2	
Moneywise Fdy Soc	63.5	67.6	-0.1	

Aetna Life Insurance Co. Ltd.
401 St. John St., London, EC1V 4QE. 01-837 6494

Life Funds (Accumulator Units)				
Squirrel	9.6	10.2		
Bear	9.4	10.2		
Owl	9.3	9.8		
Bull	9.2	9.7		
Stag	9.1	9.6		
Pension Funds (Accumulator Units)				
Squirrel	10.0	10.6		
Bear	10.0	10.6		
Owl	9.6	10.5		
Bull	9.1	10.0		
Stag	9.4	9.9		

Albany Life Assurance Co. Ltd.
3, Darkes Lane, Potters Bar. 0707-42311

Equity Fd Acc. (z)	542.0	570.5	-1.5	
European Fd Accum (z)	130.1	136.9	-0.2	
Fixed Int Acc. (z)	262.3	276.0		
Gtd. Money Fd. Ac. (z)	186.5	196.1	+0.1	
Intl. Man. Fd. Acm (z)	230.4	250.9	-0.4	
Intl Fxd Int Fd Acc (z)	149.2	157.5	-0.2	
Japan Fund (z)	146.3	154.0	-0.3	
Nth American Fd Acc (z)	144.6	152.2	+0.3	
Prop. Fd. Acc. (z)	192.2	202.2		
Multiple Inv Acc (z)	398.2	414.2	-0.8	
Pension Funds				
Eq Pen Fd Acc (z)	876.1	922.2	-2.7	
Euro Fd Acc (z)	142.4	149.8	-0.2	
Fixed Int Acc (z)	471.5	496.3		
Gt Money Pn Acc (z)	290.6	305.9	+0.3	
Intl Man Pn (z)	312.6	329.0	-0.7	
Jap Pen Fd Acc (z)	164.8	173.5	-0.3	
N Am Pn Fd Acc (z)	161.6	170.1	-0.4	
Property (z)	271.2	285.7	+0.2	
Multi Inv Pen. Acc (z)	674.9	710.4	-1.4	

Allied Dunbar Assurance PLC
Allied Dunbar Ctr, Swindon SN1 1EL. 0793 28291

Fixed Int. Dep. Acc	205.1	211.9		
Equity Acc.	499.1	525.4		
Property Acc.	303.8	319.8		
Far East Acc.	99.8	105.1		
Managed Cap.	264.7	278.7		
Managed Acc.	410.0	440.0		
O'seas Earnings Acc	327.1	344.8		
Gilt Edged Acc	232.7	245.0		
American Equity Acc.	308.5	324.8		
American Man Acc.	152.6	160.7		
American Prop Acc	118.3	124.6		
Pen F.I. Dep Cap	224.9	236.8	+0.4	
Pen F.I. Dep Acc.	335.8	353.5	+0.3	
Pen Prop Cap	370.9	390.5	+0.1	
Pen Prop Acc.	611.9	644.2	+0.7	
Pen Man. Cap	517.1	544.4	+5.0	
Pen. Man Acc	852.3	897.2	+8.9	
Pen Gilt Edg Cap	245.0	257.9	+2.0	
Pen Gilt Edg. Acc.	329.9	257.3	+3.1	
Pen. Eq. Cap.	792.7	834.5	+10.4	
Pen. Eq. Acc	990.3	1042.5	+13.7	
Pen Am. Eq Cap.	128.7	135.5	-1.8	
Pen Am Eq Acc.	135.4	142.6	-1.9	
Pen Far East Cap	109.8	114.8	-0.5	
Pen Far East Acc	114.7	120.8	-0.5	
Pen B.S. Cap.	233.9	245.9	+0.9	
Pen B S Acc.	340.0	357.8	+1.4	
Pen D.A.F Cap.	180.3	188.3	+0.4	
Pen D.A.F Acc.	243.7	241.7	+0.6	
Pen. Mortgage Cap	105.9	111.5	+0.2	
Pen Mortgage Acc	111.6	117.5	+0.3	

Ambassador Life Ass. Co. Ltd.
80 Holdenhurst Rd, Bournemouth BH8 8AL 0202 292341

Equity Fd Acc	100.6	105.9	-0.7	
Equity Fd Cap	96.4	101.5	-0.7	

Barclays Life Assur. Co. Ltd.
252 Romford Road, E7. 01-534 5544

Barclaybond (z)	282.0	296.9	-0.8	
Equity Accum. (z)	314.2	330.1	-1.2	
Do Initial (z)	291.4	306.8	-1.2	
Gilt-edged Accum (z)	184.2	193.9	-0.6	
4Do. Initial (z)	169.7	178.7	+0.4	
International Acc. (z)	197.2	207.6	-2.4	
Do. Initial (z)	180.4	190.2	-2.2	
Managed Acc (z)	240.4	251.1	-0.7	
Do. Initial (z)	220.3	231.8	-0.7	
Money Acc (z)	141.3	148.8		
Do. Initial (z)	144.8	152.5		
Property Acc (z)	207.6	218.6		
Do. Initial (z)	191.4	201.5		
America Accs (z)	152.6	160.7	-2.4	
Australia Accs (z)	121.2	127.6	-0.8	
Financial Acc (z)	156.1	164.4	-0.1	
'500' Acc. (z)	157.6	165.9	-0.2	
Greater Pac. Acc. (z)	184.9	194.7	-1.6	
Income Acc. (z)	171.1	180.6	-0.5	
Leisure Acc. (z)	117.6	122.8	-0.6	
Spec. Sits. Fd Acc (z)	91.0	95.8	-0.4	
Universal Tec Acc (z)	84.3	88.8	-1.5	
Equity Pn. Acc (z)	108.6	114.4	-0.5	
Do. Initial Srs 2 (z)	103.7	109.3	-0.4	
Gilt Edged Pn Acc (z)	248.2	261.4	+1.0	
Do. Initial Srs 2 (z)	99.3	104.6	+0.2	
Int. Pen. Acc. (z)	98.8	104.1	-1.3	
Do. Initial Srs 2 (z)	94.2	99.3	-1.3	
Managed Pns Acc. (z)	311.6	328.1	-0.9	
Do. Initial Series 2 (z)	110.8	106.2	-0.5	
Money Pen. (z)	221.1	231.3	-0.4	
Do Initial Series 2 (z)	98.9	104.2	-0.1	
Property Pens. (z)	101.2	106.7	-0.1	
Do Initial Series 2 (z)	96.4	101.6		

Black Horse Life Ass. Co. Ltd.
346a, High St., Chatham 0634 405161

Black Horse Man. Fd		284.54		
Managed Inv Fd	193.56	201.75		
Property Fd	161.29	171.89		
Fixed Interest Fd	160.51	168.98		
Cash Fd	150.85	158.79		
Income Fd	244.27	257.55		
Extra Income Fd	228.96	241.02		
Worldwide Growth Fd	226.90	238.43		
Balanced Fd	228.02	240.03		
Smlr Co's & Recvy Fd	275.58	287.98		
Inc. Technology Fd	254.49	267.89		
Nth. Amer. & Gen Fd	183.48	191.14		
Energy Int. Fd	101.10	106.43		
Pacific Basin Fund	160.26	168.70		

British National Life Assurance Co. Ltd
Perrymount Road, Haywards Heath. 0444 414111

Managed Fd	141.7	149.2		
Property Fd	137.9	145.1		
Equity Fd	175.9	185.2		
New Tech Fd	110.8	116.6		
American Fund	95.0	100.0		
Intl Fd	159.9	168.3		
Fixed Int. Fd	126.0	132.6		
Deposit Fd	111.0	116.8		
Managed Pens. Acc.	160.1	168.6		
Managed Pens. Cap	136.3	143.5		
Property Pens. Cap	131.0	137.9		
Equity Pens. Cap	167.4	176.8		
New Tech Pens. Cap	108.0	113.7		
Intl. Pens. Cap	159.0	167.4		
Fixed Intl. Pens. Cap	117.2	123.4		

Canada Life Group
2-6, High St, Potters Bar, Herts. P. Bar 51122

Equity Gth May 1		119.4		
Retd Fed May 6		384.4		
Managed Pen Fund	220.0	231.4		
Property Pen Fund	121.8	128.3		
Index Lnkd Pen Fund	121.5	127.9		
Managed (z)	140.1	147.9		
Property (z)	114.5	120.6		
Gilt and Fixed Interest (z)	120.8	127.2	+0.6	
Index-Linked (z)	105.4	111.2		
Equity (z)	145.7	153.4	-0.7	
Cash (z)	121.7	128.2		
Midland Bk Ut Tst (z)	142.5	150.0	-0.3	
Midland Bank IO (z)	158.0	166.4	-1.4	

Cannon Assurance Ltd.
Latham House, 16, Minories, EC3. 01-902 8876

Equity Units	£49.01			
Property Units	£19.20			
Equity Bond/Exec	£31.36	33.19		
Prop. Bond/Exec	£25.16	26.63		
Bal. Bd./Exec/Unit	£26.90	28.47		
2nd Equity Acc	241.9	256.0		
2nd High Inc/Acc	207.0	219.0		
2nd Property Acc.	189.3	200.3		
2nd Managed Acc.	193.5	204.8		
2nd Deposit Acc.	159.6	168.9		
2nd Gilt Acc.	158.1	167.3		
2nd American Acc.	202.2	214.0		
2nd Intl Money Acc	157.0	166.1		
2nd Japanese Acc.	108.1	114.4		
2nd Far East Acc.	107.9	114.2		
2nd Eq. Pens/Acc	360.8	381.8		
2nd Hi Inc. Pens/Acc	328.3	347.4		
2nd Pro. Pens/Acc	255.9	270.9		
2nd Mgd. Pens/Acc	262.4	277.7		
2nd Dep. Pens/Acc	224.4	237.5		
Gilt Pens/Acc	274.4	290.4		
2nd Am. Pens/Acc	308.8	326.8		
2nd Int Money Pens/Acc	204.0	215.9		
2nd Jap Pens/Acc	116.9	123.7		
2nd Far East Pens/Acc	109.6	116.0		
L & E S I F	86.0	91.5		
L & E S I F 2	57.0	61.0		

Chieftain Assurance Funds
11 New Street, EC2M 4TP. 01-626 1533

Managed Growth	206.64	217.51		
Managed Income	105.77	111.33		

Other prices available on 01-626 1533.

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh, EH2 4HQ 031-225 1655

Invy & Surg Bond	108.0	114.0		
High & Reward Bond	97.0	102.0		

City of Westminster Assurance
Sentry House, 500, Avebury Boulevard, Cen Milton Keynes MK9 2LA. Tel. 0908-606101/660888

Current Series				
Property Fund	107.1	113.0		
Money Fund	202.0	212.7	+0.7	
Managed Fund	329.1	346.7	-1.1	
Equity Fund	176.5	185.8	-2.1	
Fixed Interest Fund	128.5	135.3	-0.1	
Far East Fund	138.9	146.3	+1.3	
North American Fund	163.2	172.3	-2.5	
Natural Resources Fund	128.8	135.6	+0.6	
B U N Plus Fund	97.7	102.9	-0.9	
Pension Managed Fund	312.0	312.0		
Pension Equity Fund	162.0	162.0	+1.5	
PBR Fund	118.9	125.2		

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol, BS2 0JH 0272 290566

Investment Funds				
Mixed	102.0	107.4	-0.2	
Equity	110.4	116.3	-0.3	
Property	99.3	104.6		
Gilt & Fixed Interest	99.3	105.0	+0.3	
Indexed Securities	96.6	101.7		
Cash	99.7	105.0		
North American	96.6	101.7	-1.0	
Far East	82.1	86.5	-1.6	
International	96.7	101.8	-0.7	
Special Situations	101.1	106.5	-0.6	
International Income	108.8	114.6	-0.1	
American Income	105.6	111.2		
Flexible Retirement Plan				
Mixed	99.3	104.6	-0.5	
Equity	105.2	110.8	-0.5	
Property	100.7	106.1		
Gilt & Fixed Interest	101.3	106.7	+0.4	
Indexed Linked	96.7	101.8		
Cash	101.5	106.9		
North American	96.4	101.5	-1.0	
Far East	83.3	87.7	-1.4	
International	93.6	98.6	-0.8	
Special Situations	103.5	109.0	-0.8	
Executive Investment Pension Plan				

Prices on July 3. Unit dealings on Wednesday.

Cash Fd	121.3	127.7		
Mixed Fd	146.2	153.9		
Fixed Int. Fd	125.6	132.3		
UK Equity Fd	160.6	169.1		
Property Fd	117.1	123.3		
Overseas Fd	147.7	155.5		
Index Linked Fd	102.5	107.9		
Stock Ex. Fd	118.3	124.6		
North Am Fd	201.7	207.3		
Far East Fd	89.2	93.9		
Special Sits Fd	101.2	106.6		

Initial prices available on request. For other prices telephone 0272 290566

Clerical Medical Managed Funds Ltd.
15 St James's Sq., SW1Y 4LQ. 01-930 5474

Cash	149.6	149.6		
Mixed	212.4	217.7		
Fixed Interest	197.2	200.2		
UK Equity	235.1	242.3		
Property	133.9	129.9		
Overseas	221.0	232.0		
Index Linked	116.2	117.9		
Stock Exchange	122.0	125.1		

Prices on July 3 Unit dealings on Weds.

Colonial Mutual Group
24 Ludgate Hill, EC4P 4BD. 01-248 9861

Capital Life Assurance				
Key		136.05		
Pacemaker		154.32		
Cash	112.07	117.97		
Equity	163.80	172.42		
Fixed Interest	140.19	147.57		
Managed	155.06	163.22		
Property	128.95	135.74		
CML (Pension Annuities)—Rainbow Plans				
Cash Cap	107.10	112.75		
Cash Inv	112.71	118.65		
Equity Cap	197.14	207.52		
Equity Inv	207.47	218.40		
Fixed Int Cap	144.65	152.27		
Fixed Int Inv	152.22	160.25		
Index Link Cap	102.07	107.45		
Index Link Inv	107.41	113.07		
Managed Cap	180.78	190.30		
Managed Inv	190.24	200.27		

Commercial Union Group
St Helen's, 1, Undershaft, EC3. 01-283 7500

Var Ann July 5		43.03		
Var Ann July 5		195.54		
Prime Series—Life				
Managed	178.6	188.0	-0.1	
UK Equity	104.3	109.8	-0.1	
Int Equity	141.8	149.3	-1.7	
Property	117.3	123.5		
Fixed Int	120.0	126.3	+0.6	
Index Lkd Gt	95.4	100.5		
Investment Tst	104.9	110.5	-0.2	
Cash	110.6	116.5		
Prime Series—Pensions				
Managed	155.4	163.6	-1.3	
UK Equity	150.1	158.1	-1.3	
Int Equity	110.2	124.9	-2.9	
Property	112.1	118.1		
Fixed Int	114.9	121.0	+0.5	
Index Lkd Gt	100.6	105.9		
Cash	110.6	116.5		
Investment Tst	105.7	111.3	-0.2	

Confederation Life Insurance Co.
50, Chancery Lane, WC2A 1HE. 01-242 0282

Life Funds				
Managed Fund	472.2	497.0	-5.4	
Equity Fund	523.8	551.3	-14.7	
International Fund	182.6	192.2		
Fixed Interest Fund	161.2	169.6	+0.2	
Property Fund	111.9	124.1	+0.1	
Index Linked Fund	107.1	112.7	-0.1	
Cash Deposit Fund	113.9	124.1	-0.4	
PIB Fund		1,356.1	-18.1	
Individual Pension Funds				
Personal Pen. Managed	274.9	289.3	-2.8	
Staffguard Managed Pen	277.5	292.1		
Group Pension Funds				
Group Mixed Pension		731.8		
Equity Pension		1108.1		
International Pension		241.6		
Fixed Interest Pension		611.4		
Property Pension		455.3		
Index Linked Pension		119.6		
Cash Deposit Pension		154.8		

Continental Life Insurance PLC
64-70 High St, Croydon CR0 9XN 01-680 5225

Equity Acc.	228.0	240.0		
Property Acc.	188.1	198.1		
Int. Acc.	171.0	181.0		
Managed Acc.	201.0	211.6		
Spec. Sits Acc.	152.0	160.0		
Investment Tst Acc	100.0	105.3		
Pen. Int. Acc.	177.3	186.7		
Pen Prop Acc.	230.1	242.3		
Pens Equity Acc	319.0	335.8		
Pens Mngd Acc	218.4	229.9		
Pens F & C Man Acc.	102.5	107.9		
Pens Inv Trst Acc.	119.9	126.3		

Prices for other funds available on 01-377 8682.

Cornhill Insurance PLC
57 Ladymead, Guildford 0483 68161

Equity Fd July 3	176.0	185.5		
Fixed Int July 3	142.5	150.0		
Man Growth July 3	392.5	413.5		
Money Fd July 3	129.5	136.5		
Cap Fd May 15		104.1		
G.&S. Supr. Fd May 15		129.3		
Far Eastn Eqty July 3	113.0	114.0		
N. Amer Eqty July 3	114.5	121.0		
Int'l Technlgy July 3	93.5	98.5		
Property July 3	103.0	108.5		

Credit & Commerce Life Ass. Ltd.
74, Shepherds Bush Green, W12 8SD 01-740 7070

Life Funds				
U4 Equity	107.0	114.6		
American Equity	103.0	110.0		
Far East Equity	90.0	95.0		
Managed Fund Acc.	279.0	294.0		
International Equity	106.0	113.0		
Gilt Edged	168.0	178.0		
Money Fund	133.0	141.0		
CCL Henderson	110.0	117.0		
CCL Perpetual	139.0	147.0		
CCL Property	144.0	152.0		
SmaSer Cos.	202.0	214.0		
Pension Funds				
UK Equity	113.0	120.0		
American Equity	108.0	114.0		
Far East Equity	41.0	99.0		
Managed Fund Acc.	304.0	321.0		
International Equity	110.0	117.0		
Gilt Edged	226.0	239.0		
Money Fund	156.0	166.0		
CCL Henderson	106.0	113.0		
CCL Perpetual	112.0	114.0		
CCL Property	97.0	104.0		
Smaller Cos.	117.0	124.0		

Criterion Assurance Group
Swan Court, Petersfield, Hants. 0730 63281

Criterion Mngd Fund	116.1	122.2		
Pension Mngd Cap	38.2	40.2		
Pension Mngd Acc	42.6	44.8		
Pen G'teed Dep Cap				
Pen G'teed Dep Acc	30.1	31.7		

For closed Fund unit prices ring 0730 63281

Crown Financial Management Ltd.
Crown Hse, Woking GU21 1XW. 04862 5033

Life Funds				
Managed Acc.	243.0	255.7		
Fixed Interest Acc	194.0	204.2		
Equity Acc.	271.6	285.8		
Money Acc.	159.8	168.2		
Inv. Trust Acc	291.1	306.4		
Intnl. Acc.	239.3	251.8		
American Acc.	89.7	94.4		
High Income Acc.	230.9	243.0		
Property Acc.	167.5	176.3		
Japanese Acc.	87.3	91.8		
European Acc.	102.0	107.3		
Individual Pension Funds				
Managed Acc.	205.4	216.2		
Fixed Interest Acc	179.9	189.3		
Equity Acc.	270.6	284.8		
Money Acc.	145.7	153.3		
Property	95.6	100.6		
Investment Trust	94.0	97.4		
International	96.1	101.3		
American	96.9	101.4		
Japanese	93.4	98.3		
European	113.3	119.2		
Group Pension Funds				
Mixed	277.1	287.5		
Fixed Interest	193.7	195.6		
Equity	277.4	287.4		
Money	166.9	166.9		
Other Funds				
Crown Brit. Inv. 9		342.3		
PE Cornnel	206.9	217.7		
Brown Equity	214.6	331.1		
Henazor	158.7	167.0		
Sage	135.1	142.6		
DBS Managed	155.2	163.3		
Growth Acc.	126.6	133.2		

Crusader Insurance PLC
Reigate, Surrey, RH2 8BL. 07372 42424.

Growth Prop July 2	125.9	138.9		
Mgd Pens. June 12	218.66	225.38		

Dominion Financial Management
120, Church St., Brighton, BN1 0273 696000

Tech Saver Managed				

Eagle Star Insur./Midland Assur.
1, Threadneedle St., EC2. 01-588 1212

Eagle/Mid. Units	121.8	128.3	-0.7	5.30

Equitable Life Assurance Society
4 Coleman Street, London EC2R 5AP 01-606 6613

Far Eastern (z)	97.3	102.4	+0.5	
Fd. of Inv. Tsts (z)	102.0	107.3		
Gilt & Fixed Int (z)	99.6	104.8	-0.4	
High Income (z)	108.9	114.6	+0.1	
Managed (z)	101.3	106.6	-0.1	
Money (z)	98.9	104.1	-0.1	
North American (z)	99.8	105.0	-0.2	
Pelican (z)	106.1	117.7	-0.1	
Property (z)	99.0	105.1		
Special Sits (z)	107.9	113.6	-0.1	
School Fee Managed (z)	103.1	108.5	-0.1	
Pension Funds				
Far Eastern (z)	96.7	101.8	-0.4	
Fd. of Inv. Tsts (z)	102.8	108.2		
Gilt & Fixed Int (z)	100.3	105.6	-0.3	
High Income (z)	111.9	117.8	+0.1	
Managed (z)	103.1	108.5	+0.1	
Money (z)	101.3	107.0	+0.2	
North American (z)	100.0	105.3	-0.2	
Pelican (z)	108.1	113.8	-0.2	
Property (z)	100.3	105.6		
Special Sit (z)	110.3	115.9	+0.3	

Equity & Law
Amersham Road, High Wycombe 0494 33377

UK Equities Fund (z)	326.5	343.6	-0.3	
Higher Inc. Fund (z)	291.1	306.4	-0.1	
Property Fund (z)	238.5	251.0		
Fixed Interest Fund (z)	210.2	221.3	+3.7	
Index Lnkd Secs Fund (z)	102.1	107.4	+0.4	
Gtd. Deposit Fund (z)	161.5	170.0		
Nth. America Fund (z)	219.8	231.3	-0.3	
Far East Fund (z)	156.0	164.2	-0.3	
Europe Fund (z)	130.7	137.5	+0.4	
International Fund (z)	199.5	210.0	+0.7	
Mixed Fund (z)	271.1	285.7	+1.1	
Ind. Pen. Equity (z)	379.8	399.7	-1.0	
Ind. Pen. Fxd Int. (z)	224.1	235.8	+1.0	
Ind. Pen Idx Lk Sec (z)	121.0	127.3	+0.3	
Ind. Pen. Property (z)	180.1	190.0		
Ind. Pen. Overseas (z)	335.9	353.9	-2.2	
Ind. Pen. Cash (z)	183.1	192.9		
Ind. Pen. Balanced (z)	276.4	290.9	-0.2	
Ind Pen DAF Ser 2 (z)	100.1	105.7		
Ind Pen DAF Ser 3 (z)	191.4	201.4		

Prices are Series 2. Series 1 available on request. Group Pension Funds Prices available on request.

Family Assurance Society
Blenheim Hse, Church St, Brighton 0273 671111

Family A Managed	296.5	302.9		
Family B Managed	167.0	173.4		
Family C Bnt	149.1	152.8		
Family D Fixed Int	158.8	168.1		
Family Capital Mngd	159.7	163.0		
Family Brit. II	96.4	98.8		
Family Growth	83.0	84.7		

Federation Mutual Insurance Ltd.
29 Linkfield Lane, Redhill, Surrey. 67333

Inv. Tst. Fd. Initial	0.993	1.043		
Inv. Tst. Fd. Accum	0.013	1.064		

Framlington Life Insurance Ltd.
3 London Wall Bldgs, EC2M 5NQ. 01-628 5181

Pension Managed Fund	48.2	51.2	-0.6	
Pension Cash Fund	52.4	52.4		

Friends' Provident Life Office
Pixham End, Dorking. (0306) 885055

Life Funds				
Cash Accum	108.3	114.3		
UK Eq Acc	137.0	144.3	-1.0	
Stewardship Acc	121.9	128.4	-0.5	
Fixed Int Acc.	111.4	117.3	+0.5	
Index Linked Acc	95.9	101.0	+0.1	
Mixed Acc.	122.4	128.9	-0.5	
Overseas Eq. Fund	113.9	124.2	-1.2	
Property Acc	120.9	127.3		
Pension Funds				
Cash Cap	107.8	113.5		
Cash Acc.	116.4	122.6		
UK Eq Cap	127.3	134.1	-2.0	
UK Eq Acc.	137.5	394.8	-1.1	
Stewardship Cap.	120.6	127.0	-0.5	
Stewardship Acc.	125.1	131.7	-0.5	
Fixed Int. Cap	113.1	118.1	-0.5	
Fixed Int. Acc	121.0	127.4	-0.5	
Index Linked Cap	90.7	95.5	-0.1	
Index Linked Acc	97.9	103.1	+0.3	
Mixed Cap	116.7	122.9	-0.7	
Mixed Acc	125.9	132.6		
Overseas Fund Cap	122.0	128.5	-1.9	
Overseas Acc.	131.9	138.6	-1.9	
Property Cap	99.9	105.2		
Property Acc	107.6	113.5		

G.T. Management Ltd.
8th Floor, 8 Devonshire Sq, EC2 01-283 2575

G.T. Plan Bond Fund	144.6	152.3		
GT Pla Hgh Yld Fnd	148.7	156.6	+0.5	
GT Plan Far East Fnd	130.7	137.6	-0.5	
GT Plan N Am Fund	133.4	142.6	+0.4	
GT Pla UK&G E. Fnd	185.2	195.0	-0.4	
GT Pla Wrldwde Fnd	192.7	202.9		
GT Pensnl Bnd Fnd	166.5	175.3	+0.2	
GT Pen High Yld Fd	179.4	188.9	+1.0	
GT Pen Far East Fd	166.1	174.9	-0.7	
GT Pen N. Am. Fd	199.9	210.4	-0.5	
GT Pen UK & G.E. Fd	221.6	233.5	-0.5	
GT Pen Worldwide Fd	211.8	223.0	-0.1	

Prices for Accum Units only

General Accident Linked Life Assurance(z)
2024 Addiscombe Rd., Croydon CR9 5BS 01-686 0411

Managed	90.9	95.7		
UK Equity	91.5	96.3		
Fixed Interest	100.6	105.9		
Index-Linked	95.7	100.7		
Cash Deposit	97.4	102.5		
Property	97.4	102.5		
International	82.6	86.9		
American	84.9	89.4		
Japan	81.1	85.4		
Japan Smaller Co's	81.2	85.5		
Pen Man Acc.	91.8	96.6		
Pen UK Equity Acc	92.1	96.9		
Pen Fixed Int Acc.	98.8	104.0		
Pen Ind-Linked Acc.	97.8	102.9		
Pen Cash Dep Acc	98.4	103.6		
Pen Prop Acc	98.0	104.0		
Pen Inter Acc	81.6	85.9		
Pen American Acc	90.8	95.6		
Pen Japan Acc	81.1	85.4		
Pen Jap Smr Co's Acc	79.3	83.5		

Assicurazioni GENERALI S.p.A.
117, Fenchurch St, EC3M 5DY 01-488 0733

Intl Managed Bond	203.7	214.4		

General Portfolio Life Ins. PLC
Crossbrook St, Cheshunt, Herts. 0992 31971.

Portfolio Fd Acc	127.5			
Portfolio Fd Init	251.0			
Portfolio Fd Inv A	327.1	344.4		
UK Equity	139.4	146.8		
Overseas Equity	121.4	127.8		
Smaller Companies	101.1	106.1		
Gilt Plus	104.5	110.1		
Gilt Plus 88	103.2	108.8		
Fixed Int Dep.	103.2	108.5		
Managed	127.0	134.6		
Index Man	121.4	127.9		

For other series please telephone 0992 31971

Gresham Unit Assurance Ltd.
2-6, Prince of Wales Rd., B'mouth. 0202 767655

Managed Fd	335.1	353.1		
Money Fd	153.4	170.9		
Equity Fd	280.4	296.2		
Fixed Int. Fd	128.3	135.2		
Property Fd	193.5	203.9		
Managed Pen. Fd.	319.9	337.0	+1.9	
Equity Pension Fd	204.5	215.1	+1.6	
Fixed Int. Pen. Fd	189.2	199.3	+1.2	
High Yield Pen. Fd	189.8	200.0	+1.3	
Money Pension Fd	150.4	158.3		
Property Pension Fd	151.9	160.1		
Gresham/Framlington				
American & Gen. Fd	269.4	283.9		
Capital Fd.	301.2	317.4	-0.7	
Income Fd	262.6	276.7		
Intl. Growth Fd.	271.5	286.1	-0.6	
Japan & Gen. Fd	102.7	108.2	-0.3	
Recovery Fd.	191.7	202.0	-0.3	

Growth & Sec. Life Ass. Soc. Ltd.
48, London Fruit Exchange, E1 6EU 01-377 1122

Flexible Finance		159.39		
Landbank Secs.		66.23		
Landbank Secs. Acc.		208.96	203.74	
G & S. Super Fd		£12.022		

Guardian Royal Exchange
Royal Exchange, EC3. 01-283 7101

Guardian Assurance				
Property Bonds	341.0	358.3		
GRE Linked Life Assurance Ltd.				
Managed Initial	244.0	256.8	-0.4	
Do. Accum	281.2	296.0	-0.4	
Equity Initial	314.4	331.0	-3.0	
Do. Accum	365.7	384.9	-3.5	
Fixed Int. Initial	207.6	218.5	+1.2	
Do. Accum	239.3	251.9	+1.3	
Intnl. Initial	256.1	269.6	-4.3	
Do. Accum	295.5	311.0	-5.0	
North American Initial	117.7	123.9	-2.3	
Do Accum	123.6	130.1	-2.4	
Pacific Initial	117.1	123.2	-0.8	
Do Accum	121.0	128.0	-0.4	
Property Initial	131.2	138.0		
Do Accum	151.3	159.2		
Index-Linked Gilt Inc.	94.6	99.6		
Do Accum	99.4	104.6		
Deposit Initial	130.4	137.2	+0.2	
Deposit Accum	151.1	159.1	+0.2	
GRE Pensions Management Ltd.				
Pens. Managed Initial	256.7	270.2	-0.3	
Pens. Managed Acc.	289.6	304.8	-0.3	
Pens. Equity Initial	359.7	378.6	-6.0	
Pens. Equity Acc	405.7	427.1	-6.5	
Pens. Fxd Int Initial	224.8	236.6	-0.9	
Pens. Fixed Int. Acc.	253.4	266.9	+1.0	
Pens. Intnl Initial	255.1	268.6	-4.6	
Pens. Intl Acc.	287.7	302.8	-1.1	
Pens. Prp. Initial	136.3	143.5		
Pens. Prp. Acc.	153.6	161.7		
Pens. Ind-Lkd. Gilt In	99.9	105.1		
Pens. Ind-Lkd. Gi. Ac	104.9	110.4		
Pens. Dep. Initial	156.2	164.8	+0.1	
Pens. Dep. Acc	176.6	185.9	+0.3	

Hearts of Oak Benefit Society
129, Kingsway, London, WC2B 6NF 01-404 0393

Property Fund	48.4	51.0		
Managed Fund	149.4	159.3		
Pens. Managed Fund	117.4	123.5		

Henderson Administration
26 Finsbury Sq, London, EC2. 01-638 5757

High Income	194.6	206.0	(z)	
Gilt Edged	90.9	95.7	(z)	
Cap Growth	180.4	190.9	(z)	
Technology	156.1	165.2	(z)	
Nat. Resources	113.4	120.0	(z)	
Special Situations	213.0	225.4	(z)	
N. America	246.4	260.8	(z)	
Far East	213.9	226.5	(z)	
Managed	223.0	236.0	(z)	
Deposit	128.8	136.3	(z)	
Prime Fin.	148.0	156.7	(z)	
Managed Currency	103.5	109.6	(z)	
Global Health Care	108.7	113.5	(z)	
European	98.8	104.6	(z)	
Property	124.1	131.4	(z)	
Pension Funds				
UK Equity	147.9	156.6	(z)	
Fixed Interest	123.2	130.4	(z)	
Special Sits.	132.9	141.5	(z)	
N. American	134.9	142.8	(z)	
Far East	154.0	163.0	(z)	
Managed	151.9	160.8	(z)	
Prime Res.	121.5	128.6	(z)	
Deposit	117.3	124.1	(z)	

Capital units prices available on request.

Hill Samuel Life Assur. Ltd.
NLA Twr, Addiscombe Rd, Croydon. 01-686 4355

Security Fund (z)	193.0	203.2		
British Fund (z)	189.9	199.8		
International Fund (z)	202.0	212.7	+0.2	
Dollar Fund (z)	178.1	187.4		
Capital Fund (z)	188.4	198.4	-0.5	
Income Fund (z)	223.2	235.0		
Property Series A (z)	197.1	207.5		
Property Units (z)	317.1	333.8		
Financial Fund (z)	169.9	178.8		
Managed Series A (z)	220.3	231.9	-0.3	
Managed Series C (z)	167.3	176.2	+0.3	
Managed Units (z)	382.9	402.1	+0.8	
High Yield Fund (z)	203.3	214.0		
Money Series A (z)	157.8	166.2		
Money Units (z)	201.3	211.9		
Equity Fund (z)	236.5	249.0		
Fixed Int Fund (z)	181.8	191.4	+0.7	
Indexed Sec. Fd (z)	102.7	108.2		
European Fund (z)	225.6	237.5		
Natural Resrcs. Fd (z)	130.8	137.7	+0.3	
Far East Fund (z)	247.1	260.2	-1.5	
Smaller Cos (z)	201.0	211.6	-2.3	
Spec. Sits Fund (z)	192.0	202.2	-1.0	
Mangd Cncy. Fund (z)	125.1	131.7		
Japan Tech (z)	101.6	107.0	+1.2	
Pension Fund Prices				
Property Acc.	236.3	248.8		
Property Cap	184.1	193.8		
Property Ser Acc	108.9	114.7		
Property Ser Cap	105.3	110.9		
Managed Acc	463.5	487.9		
Managed Cap	343.1	361.2		
Managed Ser Acc	114.4	120.4		
Managed Ser Cap	112.7	118.7		
Guaranteed Acc	241.3	254.0		
Guaranteed Cap	178.6	188.0		
Guaranteed Ser Acc	105.4	111.0		
Guaranteed Ser Cap	101.6	107.0		
Equity Acc	368.7	388.2		
Equity Cap	286.4	301.5		
Equity Ser Acc	121.5	127.9		
Equity Ser Cap	116.3	122.5		
Fixed Int Acc	242.1	254.9		
Fixed Int Cap	189.3	199.3		
Fixed Int Ser Acc	109.0	114.8		
Fixed Int Ser Cap	105.2	110.8		
Indexed Secs Acc	109.9	115.7		
Indexed Secs Cap	95.6	100.7		
Indexed Secs Ser Acc	101.5	109.0		
Indexed Secs Ser Cap	99.8	105.1		
Intl Ser Acc	115.0	121.1		
Intl Ser Cap	110.4	116.3		
Dollar Ser Acc	111.4	117.3		
Dollar Ser Cap	107.6	113.3		
European Ser Acc	122.2	128.7		
European Ser Cap	110.1	124.0		
Far East Ser Acc	119.9	126.3		
Far East Ser Cap	113.2	119.6		
Man Curr Ser Acc	101.2	106.6		
Man Curr Ser Cap	98.1	103.3		
Buildg. Soc Ser Acc	107.5	113.2		
Buildg. Soc Ser Cap	103.8	109.3	+0.9	

Imperial Life Ass. Co. of Canada
Imperial Life House, London Rd, Guildford. 571255

Growth Fund	194.5	216.8	-0.9	
Unit-Linked Portfolio				
Managed Fd	194.9	205.2	+0.1	
Fixed Int. Fd	192.0	202.1	+1.2	
Secure Cap Fd	156.6	164.8		
Equity Fd	360.7	379.7	-2.3	
Property Fd	159.8	168.2		
Pension Fund Portfolio				
Pens Mn Fd Series 1	194.5	211.4	+0.5	
Pens Mn Fd Series 2	194.1		+0.5	
Pens Mn Fd Series 3	194.5	204.7	+0.5	
Pens Property Fd	100.9	106.2	+0.1	
Pens Gilt-Edged Fd	101.5	106.9	+0.5	
Pens Ind-Link Fd	98.4	101.7	+0.2	
Pens Money Mkt Fd	100.7	105.9		
Pens U.K. Equity Fd	107.2	112.8	-0.7	
Pens Intl Fd	120.4	126.8	-0.1	

Imperial Life (UK) Ltd.
Imperial Life House, London Rd, Guildford 571255

Imperial Investment Portfolio				
Managed Fd	117.1	123.3	-0.2	
Gilt-Edged Fd	104.9	110.4		
Property Fd	172.6	179.1		
High Yield Fd	126.6	133.3	-1.1	
Money Mkt. Fd	103.7	102.8		
Ind-Link Gilt Fd	98.7	103.9	+0.2	
UK Equity Fd	146.1	159.8	-1.5	
Intl. Equity Fd	127.4	132.7	-0.3	
Japan Fund	110.0	115.8	+0.5	
N. America Fd	106.9	112.0	-0.6	

Irish Life Assurance Co. PLC.
Longbow House, 20, Chiswell St., EC1. 01-638 1731

Property Modules	255.5	268.9		
Property Modules Gth	347.7	366.0		
Pery Mod. Gth Ser 2	161.2	169.6		
Pery Mod. Gth Ser 3	159.2	167.5		
Blue Chip	126.4	133.1		
Blue Chip Series 2	195.4	205.7		
Blue Chip Series 3	195.0	205.3		
High Income Series 3	650.8	685.1		
Managed	459.5	483.7		
Managed Series 2	182.4	192.0		
Managed Series 3	188.6	198.3		
Global Managed	230.5	242.6		
Global Fixed Interest	117.8	123.9		
Global Equity	230.3	242.4		
Global Equity	248.1	261.2		
Global Cash	110.0	115.9		
2 ways Managed	297.4	311.1		
Pery Pen. Ser. 2	122.4	128.8		
Equity Pen Series 2	298.5	314.2		
Am. Equity Pen. Ser 2	250.0	263.2		
Managed Pen. Ser. 2	268.4	282.5		
Cash Pension Series 2	136.8	144.0		

The LAS Group
10 George St, Edinburgh. 031-225 8494

Crescent Life Assurance				
Managed Fund	161.3	171.0	-0.5	
UK Equity	187.4	199.1	-0.1	
Property	165.9	176.0		
Money Market	126.2	133.2		
Fixed Int.	147.1	156.1	+0.6	
Japan	169.1	179.4	-2.0	
North America	143.9	150.7	-2.7	
International	150.6	159.9	-0.6	
Natural Res.	83.8	89.0		
European	97.7	103.1	-0.2	
Far East	92.0	98.2	-0.9	
High Technology	82.8	87.9	+0.1	
Special Situations	100.1	105.7	+0.2	
Pension Funds				
Managed (z)	96.9	102.2	-0.1	
International (z)	90.3	95.1	-0.4	
Property (z)	101.9	107.0		
Money Market (z)	101.4	107.0		
Fixed Interest (z)	100.5	105.9	+0.4	
UK Equity (z)	98.3	103.7	-0.4	
North American (z)	90.6	95.6	-2.2	
Japan (z)	81.2	85.7	+0.3	

Langham Life Assur. Co. Ltd.
Langham Hse, Holmbrook Dr, NW4. 01-203 5211

Harvest Pen. Fund	188.7	198.6		
Langham 'B' Plan	92.0	96.9		
Prop Bond	290.5	305.8		
Wisp (SP) Man Fd	128.7	135.5		

Legal & General (Unit Assur.) Ltd.
2 Montefiore Road, Hove, East Sussex BN3 1SE

Buildg. Soc. Linked	97.3	102.5	+0.1	
Do. Accum	98.9	104.2		
Cash Initial	124.0	130.6		
Do. Accum	158.0	167.4		
Equity Initial	326.0	343.2	-1.4	
Do. Accum	417.9	439.9	-1.7	
Fixed Initial	223.8	235.6	+0.7	
Do. Accum	286.9	302.1	+1.1	
Index Linked Gilt	98.0	103.2		
Do. Accum	107.2	112.9		
Intl Initial	208.9	219.9	-1.6	
Do. Accum	263.6	277.5	-1.8	
Managed Initial	261.6	222.3	-0.5	
Do. Accum	337.7	355.5	-0.7	
Property Initial	144.5	152.2	+0.1	
Do. Accum	185.2	195.0		

Legal & General (U.A.)—Contd.
Kingswood House, Kingswood, Tadworth, Surrey KT20 6EU Burgh Heath 53456

Ex. Bldg. Soc. Lnkd	98.3	103.5		
Do. Accum	99.7	105.0		
Exempt Cash Inq.	176.7	186.1	+0.2	
Do. Accum	226.2	238.2	+0.1	
Exempt Eqty. Init.	481.8	507.2	-2.1	
Do. Accum	616.1	649.2	-2.7	
Exempt Fixed Init.	293.1	308.6	+1.2	
Do. Accum	375.2	395.0	+1.5	
Ex. Index Lnk. Gilt.	99.9	105.2		
Do. Accum	109.2	115.0		
Exempt Intl. Initial	148.3	156.2	-1.2	
Do. Accum	170.3	179.3	-1.5	
Exempt Mngd. Init.	384.8	405.1	-0.9	
Do. Accum	491.5	517.4	-1.3	
Exempt Prop Init.	179.9	189.4		
Do. Accum	230.0	242.1	+0.1	
So. Deposit Init.	128.9	135.7	+0.1	12.5
Do. Accum	146.8	154.2	+0.1	12.5

Legal & General Prop. Fd. Mgrs. Ltd.
11, Queen Victoria St, EC4N 4TP. 01-248 9678

L & G July 1	151.6	157.8		

Next sub day August 1

Liberty Life Assurance Co Ltd
Station Rd, New Barnet. 01-440 8210
Fund Managers, Touche Remnant & Co.

Sel Sec A		28.6		
Managed		20.6	21.7	
Equity		15.6	16.5	
Blue Chip		22.1	23.3	
Special Sits		23.5	24.8	
International		27.7	29.2	
American		21.4	22.6	
Pacific		21.0	22.2	
Property		17.4	18.4	
Fixed Yield		20.1	21.2	
Index Linked Secs.		11.3	11.9	
Int Currency		13.2	13.9	
Deposit		16.3	17.2	

Life Assur. Co. of Pennsylvania
8, New Rd, Chatham, Kent. Medway 812346

1ACOP Units	171.12	15.88		

Lloyds Life Assurance
20, Clifton St, EC2A 4MX. 01-920 0202/0733 262524

Main Gwth July 6		£307.519		
Main Gwth "A" July 6	272.0	286.4		
Op 8 Prop July 8	265.8	279.8		
Op 8 Equity July 8	372.6	392.3		
Op 6 July 8	278.2	293.0		
Op 8 Man July 8	330.7	348.2		
8 Dep July 8	207.9	218.9		12.62
Op 8 Int Bd July 8	177.2	186.6		
Op 8 Int Dnl July 8	144.5	152.2		8.29
Op 8 Int July 8	213.3	224.6		
Op 8 US$ July 8	241.9	253.6		11.46
Pens 8 Pr Ac June 30	366.1	385.4		
Pens 8 Eq Ac June 30	1098.4	1156.3		
Pens 8 FI Ac June 30	408.6	430.2		
Pens 8 a Acc June 30	638.3	671.9		
Pens 8 Dp Acc June 30	344.3	362.5		
Pens 8 Grt Globe June 30	113.3	119.3		
Pens 8 Gart NA June 30	98.4	103.6		
Pens 8 Gart P June 30	120.2	126.6		
Pens. 8 Henderson Acc	104.5	110.0		
Pens. 8 Perpetual Acc.	100.9	106.0		
Pens. 8 Framlington	109.1	114.9		
Pens. 8 Oppenheimer	91.3	96.3		

For Pensions Capital Units please ring ext 2396 or 2361.

Britannia Funds—Series B				
American Inc.	89.0	93.7		
Am. Smlr Co's	131.7	130.7	-0.3	
Am. Spec. Sits	149.0	157.7	-0.2	
Commodity	74.9	78.9	+0.4	
Equity Inc.	115.9	122.0	+0.2	
Far East	96.0	101.1	+0.3	
F. Secs	159.3	167.7	+0.8	
Gold & Gen	73.4	77.3	+0.6	
Inc. Growth	141.8	170.8	+0.3	
Intl Fund	118.1	124.4	-0.4	
Japan Perf.	133.9	141.0	+0.7	
Japan Smlr Cos.	66.5	70.0	-0.7	
Nat. High	755.1	163.3	+0.2	
Prop Shares	116.5	122.7		
Spec. Mkt. Sits	111.1	117.4	-0.6	
Recovery	154.0	162.2		
Smaller Cos	188.3	198.2	+0.2	
Univ. Energy	57.4	60.5		
World Tech	113.0	114.8		
Man Growth	151.4	159.4	+0.1	
Gilt	95.6	100.7	+0.4	
Hong Kong	94.1	99.1	-0.1	
Aust Growth	114.0	120.0	+1.1	
Gartmore Funds—Series A				
American	177.9	187.3	+0.4	
Australian	96.2	101.3	+1.1	
British	158.3	166.7	+0.7	
Commodity	124.6	137.3	+0.2	
European	95.4	100.5	-0.3	
Extra Inc.	140.6	148.0		
Far Eastern	153.6	161.7		
Gilt	98.7	103.9	+0.4	
Global Sprtgy	212.3	223.5	-0.9	
Gold Share	59.5	62.6	-0.5	
Hedged American	101.3	106.7	-0.3	
High Inc	154.9	163.1	+0.5	
Hong Kong	113.7	119.7	-1.7	
Income	195.6	205.9		
Japan	182.2	191.8		
Oil & Energy	128.8	135.6	+0.3	
Special Sits	159.6	168.0	-0.5	
UK Smlr Cos.	150.4	158.4	+0.5	
Man Gth	173.4	182.6	-0.3	
Broker Managed				
James Baker	109.9	115.7		
Charles Stanley	209.3	220.4		
A. J. Bekbeck	58.5	61.6	+0.2	
Bendhom	100.4	105.9	+1.8	
King & Phias Gartmore	90.9	95.7		
Do. Britannia	93.9	98.9		
King—High Income				
Audra Growth	101.5	106.9		
Do. Inc	108.4	114.2		
Sucalls	95.4	100.5		

London A'deen & Nthn. Mtl. Assur. Ltd.
129 Kingsway, London, WC2B 6NF. 01-404 0393

Asset Builder	80.8	86.9		

London Indemnity & Gnl. Ins. Co. Ltd
18-20, The Forbury, Reading 583511

Money Mgr June 1	75.5	81.0		
Mid Flexible June 1	66.5	72.3		

London Life
100, Temple St., Bristol, BS1 6EA. 0272-279179

Assurances				
Equity		317.1		
Fixed Int.		188.8		
Property		204.6		
Deposit		157.7		
Mixed		241.1		
Index Stock		115.9		
International		130.8		
Pensions				
Equity (P)		245.7		
Fixed Int. (P)		205.2		
Property (P)		132.0		
Deposits (P)		143.5		
Mixed (P)		198.4		
Index Stock (P)		125.5		
International (P)		128.0		

London & Manchester Group
Winslade Park, Exeter EX5 1DS. 0392 52155

Cap	Acc		Ind Mkt
Investment Trust Fd (z) 125.0	348.7	-0.4	393.2
Property Fd (z) 120.5	135.4	-0.1	143.6
Fixed Interest Fd (z) 194.8	162.5	+0.7	167.3
Equity Fd (z) 157.0	176.2	-0.2	178.2
International Fd (z) 144.4	161.8	-0.5	163.6
Gtd Deposit Fd (z) 143.0	159.5		161.1
Flexible Fd (z) 2024.3	229.9	+1.5	240.6
Moneymaker Fd (z)	197.4	+1.2	
Capital Growth Fd (z)	133.3	-0.8	
Exempt Inv Tst Fd (z) 522.9	549.1	+1.3	
Exempt Inv Nom Sh (z)	582.0	+1.2	607.0
Exempt Prty Fd (z)	230.0	+0.1	
Exempt Prty Nom Sh (z)	225.5	+0.1	234.9
Exempt Fixed Int Fd (z) 115.0	130.3	-0.9	
Exempt Equity Fd (z) 145.0	164.1	+1.5	
Exempt Gtd Dep Fd (z) 112.3	127.8	+0.1	
Exempt Flex Fd (z) 289.2	328.7	+2.4	
Exempt Flex Nom Sh (z)	322.4	+2.3	335.5
Exempt Mixed Fd (z) 117.4	121.9	+0.6	

M & G Group
Three Quays, Tower Hill, EC3R 6BQ. 01-626 4588

Amer Bond (Acc)	177.0	185.9	-2.2	
Amer Rec Bond (Acc)	227.5	238.9	-2.7	
Amer Smlr Co Od (Acc)	99.3	104.2	+0.2	
Australasian Bd (Acc)	103.6	108.9	+0.9	
Commodity Bond (Acc)	136.4	143.3	+0.1	
Deposit Bond (Acc)	198.5	208.5		
Equity Bond (Acc)	397.5	417.5	-1.1	
Equity Bond Bonus	177.4	186.3	-0.5	
European Bond (Acc)	99.2	104.2	+0.4	
Extra Yld Bd (Acc)	215.3	226.1	-0.9	
Far Eastern Bond (Acc)	116.5	122.5	-0.4	
Grd Bond (Acc)	207.2	217.6	-0.5	
Gold Bond (Acc)	94.3	98.9	-0.9	
High Yield Bond (Acc)	169.4	177.9	-0.5	7.16
Index-Linked Gt Bd (Acc)	109.2	114.8	+0.2	
Interntl Bond (Acc)	267.2	280.6	-2.1	
Internl Inc Bond (Acc)	94.5	99.4	-0.2	
Japan Bond (Acc)	121.6	127.7	-0.8	
Japan Smaller Co (Acc)	102.8	108.1	-1.3	
Managed Bond (Acc)	327.3	343.8	-0.7	
Property Bond (Acc)	259.4	272.7	-0.1	
Recovery Bond (Acc)	189.5	199.0		
Family Bond (Acc)		572.1		
Personal Pension (Acc)		913.5	-3.0	
Flexible Pensions Funds				
American (Cap)	266.6	280.1	-2.5	
American (Acc)	344.7	362.0	-3.0	
Building Soc (Cap)	84.3	88.6		
Building Soc (Acc)	108.9	114.5		
Deposit (Cap)	140.7	147.8		
Deposit (Acc)	101.8	140.9		
Equity (Cap)	237.7	249.7	-0.2	
Equity (Acc)	307.2	322.7		
Gilt (Cap)	200.5	210.6	-0.3	
Gilt (Acc)	259.2	272.2	+0.6	
Gold (Cap)	70.0	73.6	-0.7	
Gold (Acc)	90.5	95.1	-0.8	
Index-Linked (Cap)	88.9	93.5	+0.1	
Index-Lnkd Gilt (Acc)	114.9	120.8	+0.2	
International (Cap)	80.7	84.8	-0.1	
International (Acc)	104.3	109.6		
Japan (Cap)	83.6	87.9	-0.6	
Japan (Acc)	108.1	113.6	-0.6	
Managed (Cap)	208.7	219.3	-0.6	
Managed (Acc)	270.4	284.0		
PPP Fund (Cap)	177.8	186.8	-0.8	
PPP Fund (Acc)	229.9	241.5	-0.8	
Pacific (Cap)	205.2	216.1	-2.3	
Pacific (Acc)	265.9	279.3	-2.8	
Property (Cap)	123.3	129.6		
Property (Acc)	159.4	167.4	+0.1	
Recovery (Cap)	96.7	101.6	-0.3	
Recovery (Acc)	125.9	131.3	-0.2	
Special Deposit (Acc)	102.0	107.2	+0.2	

MGM Assurance
MGM Hse, Heene Rd, Worthing. 0903 204631

UK Equity	139.5	146.9	+0.1	
Do Accum	149.7	157.6	-0.1	
Special Situations	108.8	114.6		
Do. Accum	113.2	119.2		
North American	140.7	148.2	-1.2	
Do. Accum	146.1	153.8	-1.4	
Pacific Basin	161.6	170.2	-0.7	
Do. Accum	170.3	179.3	-0.8	
Fixed Interest	169.7	178.7	+0.2	
Do. Accum	176.3	185.6	+0.2	
Property	109.7	115.5		
Do. Accum	113.8	119.8		
Deposit	107.9	113.6		
Do Accum	112.0	117.9		
Managed	136.8	144.0	-0.3	
Do. Accum	142.0	150.4	-0.2	
Pension Funds				
Pension Equity	139.4	146.8	+0.1	
Do Accum	150.9	158.9	+0.1	
Pens. Spec. Sits	110.3	116.1	-0.1	
Do Accum	117.1	123.3	+0.1	
Pens. North American	147.6	155.4	-1.8	
Do. Accum	155.6	163.8	-1.6	
Pens. Pacific Basin	165.3	174.0	-1.1	
Do. Accum	179.3	184.4	-0.8	
Pens. Fixed Int.	176.3	186.0	+0.2	
Do. Accum	187.6	199.5	+0.3	
Pens. Property	111.1	117.0	+0.1	
Do. Accum	117.7	123.9		
Pens. Deposit	113.4	119.4	-0.2	
Do Accum	119.8	126.2	+0.1	
Pens. Managed	141.4	148.9	-0.4	
Do Accum	153.7	161.8	-0.1	

Manufacturers Life Insurance Co (UK)
St George's Way, Stevenage. 0438 356101

Managed	230.6	243.5		
Property	233.5	245.8		
Equity	291.9	309.4		
Gilt Edged	296.8	312.0		
Deposit	171.8	180.8		
Investment	121.5	129.4		
International	239.8	252.2		
Pension Fund Prices				
Managed Inc.		203.5		
Do. Accum.		231.1		
Property Inc.		196.5		
Do. Accum		223.2		
Equity Inc.		222.1		
Do. Accum		252.1		
Gilt-Edged Inc		190.0		
Do Accum		216.0		
Guaranteed Inc.		111.1		
Do Accum		157.4		
International Inc.		291.5		
Do. Accum		330.8		
Index Lk. Gilt Inc.		717.9		
Do Accum		134.0		

Merchant Investors Assurance
Leon House, 233 High St., Croydon 01-686 9171

Property		296.3		
Property Pens		582.9		
Equity		132.8		
Equity Pens		511.5		
Money Market		240.0		
Money Mkt. Pens.		336.2		
Deposit		208.3		
Deposit Pens		305.4		
Managed		216.0		
Managed Pens		304.8		
Intl Equity		231.9		
Do. Pens.		319.7		
Intl Managed		218.8		
Do Pens.		277.6		
North American		124.2		
Do. Pens		135.3		
Far East		136.2		
Do. Pens		180.3		
Intnl. Currency		121.1		
Do. Pens		148.8		
Index Linked		117.4		

Municipal Life Assurance Ltd
99 Sandling Rd, Maidstone. 0622 679351

Initial Equity	110.0	116.9		
Initial Managed	112.0	118.5		
Initial International	107.5	114.0		
Initial Property	96.0	101.9		
Initial Mainfund	104.5	110.5		
Accum. Equity	123.0	130.0		
Accum. Managed	121.5	130.5		
Accum. Intl.	111.5	118.8		
Accum. Property	96.5	102.0		
Accum. Mainfund	107.0	113.5		
Pens. Init. Equity	108.0	114.0		
Pens. Init. Managed	98.0	104.0		
Pens. Init. Intl.	97.5	103.0		
Pens. Init. Property	111.5	118.0		
Pens. Init. Mainfund	104.5	110.5		
Pens. Acc. Equity	117.5	124.8		
Pens. Acc. Managed	104.5	130.5		
Pens. Acc. Intl.	103.5	109.5		
Pens. Acc. Property	115.0	121.5		
Pens. Acc. Mainfund	108.0	114.0		

NEL Pensions Ltd.
Milton Court, Dorking, Surrey. 0306 887766

Brit Exempt Tst Fd Cap	99.4	104.6		
Brit Exempt Tst Fd Acc	101.1	106.4		
Nelex Eq. Cap.	203.9	214.6		
Nelex Eq. Accum.	330.0	347.4		
Nelex Gilt+F.I. Cap.	83.6	88.0		
Nelex Gilt+F.I. Acc.	127.7	134.4		
Nelex Gilt Inc Cap	107.6	113.3		
Nelex Gilt Inc Acc	152.6	160.6		
Nelex Managed Cap.	83.6	88.0		
Nelex Managed Acc.	120.9	127.5		
Nelex Deposit Cap.	74.0	77.9		
Nelex Deposit Acc.	102.6	108.0		
Nelex Int.Fxd.Int. Cap	63.7	66.9		
Nelex Int.Fxd.Int. Acc.	92.9	97.3		
Nelfinder Lk.Sect Cap.	44.7	47.1		
Nelfinder Lk.Sect Acc	56.4	59.4		

National Mutual Life
5, Bow Churchyard, London EC4M 9DH. 01-236 1566

Managed Fund	132.8	139.4		
Universal Fund	110.0	115.8		
UK Equity Fd	145.9	153.6		
Fixed Interest	116.9	123.1		
Pacific	123.3	129.8		
North American	84.1	88.6		
Pens. Managed	239.7	746.7		
Pens. UK Equity	159.1	167.3		
Pens. Overseas Equity	162.9	171.5		
Pens. Property	110.0	115.8		
Pens. Fixed Interest	121.5	127.9		
Pens. Index Linked	97.5	102.7		
Pens. Deposit	118.2	124.5		

National Mutual of Australasia
Serpentine Rd., Poole, Dorset. 0202 680644

Fixed Interest	103.75	109.21		
Guaranteed Deposit	103.55	109.00		
International	92.22	97.07		
Managed	101.31	106.64		
Property	100.23	105.50		
UK Equities	131.55	138.47		

National Provident Institution
48, Gracechurch St, EC3P 3HH. 01-623 4200

Managed	204.3	215.1	-0.1	
UK Equity	228.8	240.9	-0.3	
Overseas Eq.	194.3	204.6	-2.4	
American	201.5	212.2	-2.8	
Far East	160.7	169.2	-2.0	
Property	216.5	222.7		
Fixed Int.	169.9	178.6	+0.6	
Indexed Gilt	107.3	113.0		
Deposit	118.0	124.3	+0.1	
Pension Fund Prices				
Man. Initial	206.0	216.9	+0.2	
Man Acc.	233.1	245.4	+0.1	
U4 Eq. Initial	217.0	228.5	-0.3	
U4 Eq.	241.8	254.6	-0.3	
Overseas Eq. Initial	218.5	230.1	-1.5	
Overseas Eq.	255.4	268.9	-2.0	
American Initial	219.2	290.8	-4.1	
American	245.7	258.7	-4.6	
Far East Initial	197.9	208.0	-2.3	
Far East	222.0	233.7	-2.6	
Prop. Initial	111.5	117.4		
Prop.	125.0	131.5		
Fixed Int. Initial	152.7	160.8	+0.6	
Fixed Int.	170.5	179.5	+0.6	
Indexed Gilt Initial	100.0	105.3		
Indexed Gilt	111.7	117.6		
Deposit Initial	117.5	123.7	+0.1	
Deposit	132.2	139.2	+0.1	
NPI Pensions Management Ltd.				
Managed Fund	543.9	578.4		

Prices June 3. Next dealing August 1.

New Zealand Insurance PLC
110/314, Baxter Avenue, Southend. (0702) 348555

Kiwi Key (Managed)	282.6	298.2		
UK Equity	174.4	183.6		
American	264.6	278.6	+0.2	
Pacific	357.2	376.0	-1.0	
Property	159.2	167.6		
Gilt	183.6	193.3	-0.9	
High Inc. Equity	165.1	173.8		
High Inc. Fxd. Int.	110.4	116.3	+0.3	
Deposit	153.7	161.8		
Index-Linked Gilt	111.4	117.3	+0.1	

Norwich Union Insurance Group
PO Box 4, Norwich NR1 3NG. 0603 622200

NUIG (Managed Funds) Ltd.				
Managed Fund	524.9	552.5	-1.2	
Equity Fund	938.5	987.9	-5.2	
Property Fund	279.8	294.5	+0.1	
Fixed Int. Fund	297.6	313.3	+1.1	
Deposit Fund	181.0	190.5		
International Fund	95.2	100.2	-1.3	
Norwich Union Life Insurance Society Penslnvestor & Unit-Linked Plus				
Fixed Interest*	196.6	206.9		
Ordinary Share*	261.5	275.2		
Property*	138.4	145.6		
Deposit*	135.2	142.3		
Index Linked Secs.*	120.7	127.0		
Mixed*	212.8	224.0		
International Fund	92.0	96.8		
Nor Units June 15		545.1		

*Prices at July 2.

Pearl Assurance (Unit Funds) Ltd.
252 High Holborn, WC1V 7EB. 01-405 8441

Inv. Prop. Dist.	140.8	148.3		
Inv. Prop. Acc.	208.1	219.1		
Inv. Equity	382.4	402.6		
Inv. Managed	291.6	307.0		
Pearl Assurance (Unit Linked Pensions) Ltd.				
Ret. Managed	260.3	274.0		

Phoenix Assurance Co. Ltd.
18 King William St, EC4N 7ER. 01-626 9876

Life Assurance Funds				
Wealth Assd.	289.5	304.9		
Eb'r Ph. Eq.	212.3	223.1		
Pension Plan Funds				
Phoenix				
UK Equity Acc.	100.2	105.4	-0.2	
International Acc.	91.0	95.7	-0.6	
Property Acc.	99.8	105.0		
Fixed Interest Acc.	103.7	109.1	+0.6	
Money Acc.	99.5	104.7		
Bldg. Soc. Link Acc.	100.2	105.4	+0.1	
Special Mngd. Acc.	98.7	105.8	-0.1	
Phoenix/Framlington				
Intnl. Growth Acc.	90.0	94.7	-0.3	
Amer. & Gen. Acc.	96.0	101.0		
Capital Tst. Acc.	104.4	109.8	+0.4	
Japan & Gen Acc.	89.1	93.7	+0.4	
American Tang. Acc.	93.7	98.6	-0.1	
Recovery Tst. Acc.	97.2	102.3	-0.3	
Special Mngd Acc.	99.7	104.9	+0.1	
Phoenix/GT				
International Acc.	95.6	100.6	-0.2	
US & General Acc.	97.3	102.4	+0.2	
Tech & Grth Acc.	76.4	80.4	+0.1	
Japan & General Acc.	84.7	89.1	-0.1	
Far East & Gen. Acc.	80.1	84.3	-0.1	
UK Capital Acc.	98.8	104.0	-0.5	
European Acc.	91.0	95.7	-0.3	
Special Mngd. Acc.	91.1	95.8	-0.3	

Pioneer Mutual Insurance Co. Ltd.
16, Crosby Rd, N. Waterloo, L'pool 051-928 6655

Managed Fund	219.2	232.4		
Man Pens Inc & Cap Fds	261.5	277.7		
Money Fund	97.2	102.3		

Premium Life Assurance Co. Ltd.
Eastchester Hse., Haywards Heath 0444 458721

American Tech. Fd.	114.0	120.0	-2.0	
Building Soc. Fd.	132.0	139.0		
Balanced	160.0	169.0		
GT Managed	105.0	111.0	-1.0	
Deposit	133.0	140.0		
Gilt	141.0	149.0		
High Inc	102.0	109.0		
International Equity	138.0	146.0		
Japan	128.0	135.0	+1.0	
Nat Resources	90.0	95.0		
Property	155.0	164.0		
UK Equity	171.0	180.0		
Pension Funds				
American Tech. Fd.	89.0	94.0		
Building Soc. Fd.	109.0	115.0		
Balanced	107.0	113.0		
GL Managed	114.0	120.0		
Deposit	110.0	116.0		
Gilt	100.0	106.0		
International Equity	104.0	110.0		
Japan	90.0	95.0		
Nat Resources	86.0	91.0		
Property	105.0	111.0		
UK Equity	103.0	113.0		

Property Equity & Life Ass. Co.
Barter Ave, Southend SS2 6DH. 0702 333433

R. Silk Prop. Bond		272.8		
Ind.Man.Crncy.Bd.Fd.		109.5		
Flexible Prop. Bd. Fd		131.3		
Flexible Money Sd. Fd		264.4		

Property Growth Assur. Co. Ltd.
Leon House Croydon CR9 1LU 01-680 0606

Property Fund		299.8		
Property Fund (A)		285.8		
Agricultural Fund		1017.2		
Agric. Fund (A)		1021.2		
Abbey Nat. Fund		244.8		
Abbey Nat. Fd. (A)		243.1		
Investment Fund		156.8		
Investment Fund (A)		152.3		
Equity Fund		534.8	-1.4	
Equity Fund (A)		522.2	-1.4	
Money Fund		297.8		
Money Fund (A)		290.4		
Actuarial Fund		127.8		
Gilt-Edged Fund		206.5	+0.6	
Gilt-Edged Fd (A)		208.1	+0.6	
Retire Annuity		408.2		
Immed. Ann'ty		303.0		
International Fd		284.7		
Bldg. Soc. Life Fd		140.7		
Property Growth Pensions & Annuities Ltd.				
All Weather Ac. Uts	321.7	338.6		
Inv. Fd. Uts	143.7			
Pension Fd. Uts		302.6		
Conv. Pens. Fd		365.9	+0.2	
Cnv. Pns. Cap. Ut		296.9	+0.1	
Man. Pens. Fd		417.5	-1.7	
Man. Pens. Cap. Ut.		305.0	-1.3	
Prop. Pens. Fd		338.9		
Prop. Pens. Cap Uts		234.6		
Bldg. Soc. Pen. Ut.		314.3		
Bldg. Soc. Cap. Ut.		298.2		
Gilt Pens. Fd		196.4	+1.0	
Gilt Pens. Fd. Cap.	162.8		+0.8	
Equity Pens. Fd	351.7		-1.1	
Equity Pens. Fd Cap	272.9		-1.8	
Intl Pens. Fd		121.1		
Intl. Pens. Fd Cap		116.3	-0.2	

Providence Capitol Life Assc. Co. Ltd.
30 Uxbridge Road, W12 8PG. 01-749 9111

Equity Acc.	185.2	197.4	-0.1	
Fixed Interest Acc.	97.3	102.9	-0.9	
Intnl Acc.	88.7	93.4		
Managed Acc.	101.1	106.7	-0.1	
Property Acc.	139.6	147.8		
Money Acc.	82.2	86.8		
Special Market Acc.	70.2	74.1	-0.3	
Japan Acc.	72.9	77.0	+0.1	
North America Acc.	83.6	88.0	-0.5	
Pacific Acc.	51.1	54.0	-0.5	
Technology Acc.	73.4	77.5	-0.1	
Nat. Resources Acc.	48.0	50.7	+0.2	
Japan Growth Acc.	107.6	113.6	-0.3	
European Acc.	48.4	51.1	+0.1	
Individual Pension Funds				
Equity Acc.	127.2	134.2	-0.3	
Fixed Interest Acc.	103.4	109.1	+1.2	
Intnl. Acc.	103.1	108.8	+0.1	
Managed Acc.	102.6	108.3	+0.1	
Property Acc	105.6	111.4		
Money Acc.	81.0	85.5		
Special Market Acc	87.2	92.0		
Japan Acc.	99.0	105.1	+0.2	
North American Acc.	106.3	112.2	-0.9	
Pacific Acc	87.1	92.1	-0.9	
TechnologyAcc	89.3	94.2	-0.6	
Natural Resources Acc	78.8	83.2	+0.7	
Japan Growth Acc.	105.9	111.0	+0.5	
European Acc.	48.5	51.2		
Group Pension Funds				
Equity Acc.	399.2	471.4	-1.4	
Fixed Interest Acc.	304.8	315.9	+2.4	

Provident Life Assoc of London Ltd
266 Bishopsgate, EC2M 4QP. 01-247 3200

Unit Fund	566.3	596.4	-4.8	
Equity Fund	113.9	119.8	-1.7	
International Fd.	98.3	103.5	+0.9	
Fixed Interest Fd.	113.2	118.9	-0.5	
Property Fund	106.1	111.4		
Index-Linked Fund	109.6	115.2		
Deposit Fund	106.8	112.0	+0.2	
Pens. Mixed (Ord) Fd.	113.0	132.9	-1.1	

Provident Mutual Life Assc. Assn.
Wilton Rd., Hitchin, Herts. SG4 0LP 0438-739000

Managed Ord	140.7	148.2	-0.8	
Managed Init	146.9	154.8	-0.8	
Equity Ord.	191.4	201.5	-0.8	
Equity Init.	179.9	188.1	-0.5	
Index Linked Gilt Ord.	104.6	110.8		
Index Linked Gilt Init.	99.8	105.2	-0.1	
Overseas Equity Ord	148.6	277.4	-1.8	
Overseas Equity Init.	154.0	162.1	-1.7	
Property Ord.	117.9	124.1		
Property Init.	107.8	113.5		
Fixed Interest Ord.	126.1	132.7	+0.4	
Fixed Interest Init.	115.3	121.4	+0.5	
Deposit Ord.	112.1	118.0		
Deposit Init.	102.4	107.8		
Pension Funds				
Managed Ord.	174.8	184.0	-0.6	
Managed Init.	159.8	168.2	-0.7	
Equity Ord.	212.4	229.6	-0.7	
Equity Init.	194.1	204.3	-0.6	
Pen Ind Lkd Gilt Ord	107.5	113.2		
Pen Ind Lkd Gilt Init	102.6	108.0		
Overseas Equity Ord.	180.9	190.4	-2.2	
Overseas Equity Init.	165.3	174.0	-2.0	
Property Ord.	125.3	132.0		
Property Init.	114.7	120.7		
Fixed Interest Ord.	130.0	136.8	+0.5	
Fixed Interest Init.	118.8	125.1	+0.5	
Deposit Ord.	124.8	131.4		
Deposit Init.	114.1	120.1	+0.1	

Provincial Life Assurance Co. Ltd.
222, Bishopsgate, EC2. 01-247 6533

Managed Fd	331.7	349.4	-1.6	
Cash Fd	180.0	189.7		
Property Fund	182.1	193.0		
Equity Fund	349.0	367.9	+1.1	
Fxd. Int. Fund	206.8	217.9	+1.0	
International	177.6	188.4	-2.0	
High Income	213.6	225.1	-0.8	
Far East	187.2	197.2	-2.7	
North American	222.0	234.2	-4.4	
Special Sits.	257.9	271.2	-1.4	
Technology	193.9	204.3		
Extra Inc Fd.	120.4	126.9	-0.5	
Gilt Fund 20	225.0	239.5	+1.4	
Managed Pens. Acc.	262.8	277.1	-1.4	
Deposit Pens. Acc.	165.7	174.5		
Property Pens. Acc.	168.1	177.0		
Fxd. Int. Pens. Acc.	218.9	230.9	+1.2	
Equity Pens. Acc.	308.9	325.5	-1.5	
International Pens Acc	151.5	159.7	-1.8	
High Inc Pens Acc.	198.0	208.6	-0.8	
Tech Pens. Acc.	121.5	127.9	-1.0	
N American Pens Acc.	146.7	154.5	-2.1	
Far Eastern Pens Acc.	167.2	176.2	-2.1	
Special Sits Pens Acc.	189.2	199.7	-1.3	
Extra Income Pens Fd.	123.5	130.1	-0.4	

For Capital Unit and Other Prices ring 01-247 6533.

Prudential Assurance Co.
Holborn Bars, EC1N 2NH. 01-405 9222

Prubond				
Managed July 3	348.7	380.3		

Prudential Pensions Limited
Holborn Bars, EC1N 2NH. 01-405 9222

Discretionary Fd July 3	78.20	80.72		
Equity Fd July 3	77.04	79.42		
Intl Fd July 3	13.74	14.15		
Fixed Int July 3	47.16	47.78		
Index Linked July 3	37.86	38.34		
Prop Fd July 3	38.85	40.67		
Cash Fd July 3	13.9365	13.9365		
Pru-Linked Retirement Plan				
Managed Fund	186.1	193.9		
Cash Fd.	133.9	139.5		

Reliance Mutual
Reliance House, Tunbridge Wells, Kent. 0892 22271

Deposit Fund	97.4	102.5		
Equity Fund	170.3	139.3		
Managed Fd	161.0	169.4		
Prop Fd. (1st issue)		380.9		
Prop Fd. (2nd issue)	117.4	125.5		
Rt. Pension Funds				
Deposit Cap	104.5	110.0		
Deposit Acc	109.7	115.5		
Equity Cap.	109.2	115.0		
Equity Acc.	114.6	120.7		
Fixed Int Cap	102.6	108.0		
Fixed Int Acc.	107.8	113.5		
Gilt Indx Lnk Cap	96.6	101.7		
Gilt Indx Lnk Acc.	107.5	106.7		
Managed Cap.	108.6	114.4		
Managed Acc.	114.6	120.7		

Royal Life Insurance Ltd.
New Hall Place, Liverpool L69 3HS 051-227 4422

Royal Shield Fd.	405.2	426.7	-1.2	
Royal Life (Unit Linked Assurances) Ltd.				
Managed Fund	266.5	275.2	-0.7	
Equity Fund	197.5	207.8	-1.2	
Property Fund	134.1	141.1		
International Fund	217.4	228.8	-2.70	
Pacific Basin	102.6	107.9	-0.6	
United States Fund	108.3	114.0	-1.8	
Money Fund	114.9	120.9		
Gilt Fund	139.4	146.7	+0.4	
Royal Life (Unit Linked Pension Fds.) Ltd.				
Exempt Man. Fd.	156.4	164.6	-0.7	
Exempt Equity FD	237.1	249.5	-0.9	
Exempt Prop. Fd.	125.9	132.0		
Exempt Intl. Fd.	286.8	301.8	-3.3	
Exempt Gilt Fd.	134.8	141.8	+0.4	
Exempt Money Fd.	121.6	130.1		

Save & Prosper Group
28, Western Rd, Romford RM1 3LB. 0708-66966

Global Equity Fund	92.3	97.2	(z)	
Bal. Inv. Fd.	204.0	21.7	(z)	
Property Fd.	308.2	326.2	(z)	
Gilt Fd.	245.5	258.8	(z)	
Deposit Fd.	202.6	214.4	(z)	
Man. Pens. Fd	64.1	67.5	(z)	
Equity Pens. Fd.	66.5	70.0	(z)	
Prop Pens. Fd.	58.1	61.2	(z)	
A. G. Bond Fund	72.33	76.14	(z)	
Dep Pen Fd.	55.4	58.3	(z)	
Gilt Pens Fd.	55.4	58.3	(z)	
Global Eq Pens Fd	71.3	75.0	(z)	
S. & C Fund	47.0	49.5	(z)	

†Weekly dealing.

Schroder Life Assurance Ltd.
Enterprise House, Portsmouth. 0705 827733

Equity	572.7	[illegible]		
Fixed Interest	264.4	[illegible]		
Managed	500.3	[illegible]		
Deposit	190.8	[illegible]		
Overseas	184.3	[illegible]		
Property	208.1	[illegible]		
American	107.8	[illegible]		
Australian	109.8	[illegible]		
European	194.5	[illegible]		
Gilt & Fxd Int.	196.2	[illegible]		
Income Accum	251.1	[illegible]		
Income Distrib	200.0	[illegible]		
International	180.7	[illegible]		
Japan Smllr Co's	119.2	[illegible]		
Singapore & Malay	107.9	[illegible]		
Smaller Co's	246.5	[illegible]		
Tokyo	200.9	[illegible]		
U.K. Equity	239.5	[illegible]		
CCM Vanguard Mngd	263.9	[illegible]		
Equity Pension	340.2	[illegible]		
Fxd Int Pension	321.3	[illegible]		
Guaranteed Pens.	132.4	[illegible]		
Index-Linked Pens.	102.8	[illegible]		
Managed Pension	770.8	[illegible]		
Deposit Pension	120.1	[illegible]		
Overseas Pension	188.4	[illegible]		
Property Pension	236.8	[illegible]		
Special Ex Pension	191.9	[illegible]		

Prices are for Life Series 4 Accum. Pension Series C Accum July 8.

Scottish Amicable Investments
150 St Vincent St, Glasgow 041-248 2323

Equity	222.4	[illegible]	-1.0	
Fixed Interest	163.9	[illegible]	+0.8	
International	190.0	[illegible]	-3.2	
Property	120.8	[illegible]		
Cash	126.1	[illegible]	+0.1	
Index Linked Gilt	107.3	[illegible]		
Managed	189.5	[illegible]	-0.8	
Exempt Eq. Init.	142.7	[illegible]	-1.5	
Do. Accum	200.1	210	-1.2	
Exempt Fxd. Int. Init	145.6	153	+1.3	
Do. Accum	179.0	188	+1.7	
Exempt Intnl. Init.	142.5	[illegible]	-3.1	
Do. Accum	175.3	[illegible]	-3.7	
Exempt. Prop. Init.	95.1	[illegible]		
Do. Accum	104.6	[illegible]		
Exempt Cash Init.	109.9	115		
Do. Accum	134.6	[illegible]	+0.1	
Exempt Man. Inv.	144.6	[illegible]	-0.7	
Do. Accum	179.1	188.6	-0.7	
SAMM Call rate		10.5		

Scottish Equitable Life Assc. Soc.
31, St Andrew Sq, Edinburgh. 031 556 9101

Mixed	212.8	224.0	-0.4	
Equity	231.3	243.6	-0.3	
Property	129.3	136.2		
Fixed Interest	110.0	196.8	+0.2	
International	224.3	236.2	-2.4	
Index Linked	108.6	114.2	-0.1	
Cash	121.42	127.81	+0.04	
Edinburgh Inv.	108.7	114.3	-0.1	
Edinburgh American	108.0	113.7	+0.8	
Baillie Gifford Japan	95.0	100.0	+2.2	

هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV .... $11.96 | — | +0.03 | —

World Wide Growth Management@
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd .... $13.20 | — | +0.07 | —
Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech .... $9.00 | — | −0.04 | —
Dynamic Gwth Fd .... $9.16 | — | −0.06 | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund — 77 London Wall, London EC2N 1DB — 01-588 1815				
Deposit	12.2	—	—	3-Mth
The Money Market Trust — 63 Qn Victoria St. EC4N 4ST. — 01-236 0952				
Call Fnd	12.82	9.59	14.38	Mth
7-day Fnd	12.55	9.36	12.84	Mth
Oppenheimer Money Management Ltd — 66 Cannon St. EC4N 6AE. — 01-236 1425				
Call Fund	12.42	9.28	11.70	6-Mth
7-day Fund	12.35	9.23	11.62	6-Mth
Dollar	7.00	—	—	6-Mth
Money Mngt. Acc	12.125	9.06	13.59	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc — 22 Charlotte Sq. Edinburgh, EH2 4DF — 031-225 8484				
Full Service Cur Acc.	12.25	8.75	13.09	Qtr
Aitken Hume — 30 City Road, EC1Y 2AY. — 01-638 6070				
Treasury Acc	12.375	9.25	13.87	Qtr
Mth. Int. Chq.	12.25	9.16	13.90	Mth
Bank of Scotland — 38 Threadneedle St, EC2P 2EH. — 01-628 8060				
Money Mkt Cheque Acc	11.40	8.09	13.22	Mth
Barclays Prime Account — PO Box 125, Northampton — 0604 252891				
High Int. Cheque	12.00	8.875	13.29	Qtr
Britannia Investment Services Ltd. — 29 Finsbury Circus, EC2M 5QL. — 01-588 2777				
Cater Allen	12.06	9.02	13.42	Mth
Charterhouse Japhet plc — 1 Paternoster Row, EC4M 7DH. — 01-248 3999				
Sterling	12.25	9.16	13.09	Mth
U.S. Dollar	7.00	7.00	7.23	Mth
German Marks	4.75	4.75	4.85	Mth
Swiss Francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings — St Martins Hse, Hammersmith Grove — 01-748 9251				
Cheque Plus	—	10.00	14.83	Qtr
Co-operative Bank Cheque & Save — 78-80 Cornhill EC3 01-626 6543.				
£500-£2,500	11.0	8.22	12.11	Qtr
£2,500 +	13.00	9.72	14.40	Qtr
Dartington & Co Ltd — Dartington, Totnes, Devon TQ9 6JE. — 0803 862271				
Money Mkt Acc	12.25	9.16	13.88	Qtr
Edward Manson & Co Ltd — 9 Henrietta Place W1M 9AG. — 01-631 3313				
Cheque Deposit Acc	12.50	9.34	14.19	Mth
Henderson/Bank of Scotland — 38 Threadneedle St EC2P 2EH — 01-628 8060				
Money Mkt. Cheque Acc	11.90	8.09	13.22	Mth
Lloyds Bank PLC — 71 Lombard St, London, EC3P 3BS. — 01-626 1500				
High Int Cheque	12.00	9.00	—	Qtr
Lombard North Central PLC — 17 Bruton St, W1A 3DH. — 01-409 3434				
14-Day Notice	12.375	9.25	13.21	—
M & G/Kleinwort Benson — 91-99 New London Rd, Chelmsford. — 0245 51651				
H.I.C.A.	12.10	9.04	13.40	Daily
Midland Bank plc — PO Box 2, Sheffield. — 0742 20999 Ext 8798				
High Int Chq	11.77	8.80	13.17	Qtr
Provincial Trust (formerly Choulartons) — 30 Ashley Rd, Altrincham, Cheshire — 061-928 9011				
Cheque Acc	12.75	9.53	14.50	Mth
Royal Bank of Scotland plc — 24 Lombard St, London EC3V 9BA — 031-557 0201				
Premium Account	12.00	8.97	13.44	Qtr
Save & Prosper/Robert Fleming — 28 Western Rd, Romford RM1 3LB. — 0708 66966				
H.I.B.A.	12.04	9.00	13.45	Daily
Tyndall & Co — 29-33 Princess Victoria St, Bristol. — 0272 732241				
Demand Acc.	12.25	9.16	23.74	Qtr
Money Acc	12.207	9.125	13.68	Qtr
J. Henry Schroder Wagg & Co Ltd — Enterprise House, Portsmouth — 0705 827733				
Special Acc.	12.20	9.12	13.06	Mth
Over £10,000	12.45	9.31	14.14	Mth
Western Trust & Savings Limited — The Moneycentre, Plymouth PL1 5SE — 0752 24141				
High Int Chq Acc	12.63	9.44	13.24	Qtr

NOTES—Gross rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase.

OPTIONS

3-month call rates

Industrials	0
Allied-Lyons	16
BAT	32
BOC Grp	25
BSR	16
BTR	52
Babcock	14
Barclays	48
Beecham	32
Blue Circle	45
Boots	15
Bowaters	20
Brit Aerospace	33
Brit. Telecom	11
Brown (J.)	3
Burton Ord	39
Cadburys	14
Comm Union	19
Courtaulds	12½
Debenhams	17½
Distillers	28
Dunlop	6
FNFC	8½
Gen Accident	45
Gen Electric	17
Glaxo	85
Grand Met	25
GUS 'A'	60
Guardian	60
GKN	37
Hanson Tst.	17½
Hawker Sidd	38
Hse of Fraser	30
ICI	60
'Imps'	18
Jaguar	25
Ladbroke	24
Legal & Gen	50
Lex Service	28
Lloyds Bank	48
Lucas Inds	25
Marks & Spencer	11
Midland Bk	30
NEI	8
Nat West Bk	60
P & O Dfd	36
Plessey	17
Polly Peck	26
Racal Elect	18
RHM	11
Rank Org Ord	32
Reed Intnl	50
Sears	8
TI	20
Tesco	20
Thorn EMI	35
Trust Houses	11
Turner Newall	16
Unilever	85
Vickers	19
Property	
Brit Land	11
Cap Counties	18
Land Secs	25
MEPC	25
Peachey	22
Samuel Props	14
Oils	
Brit. Oil & Min.	4
Brit Petroleum	42
Burmah Oil	18
Charterhall	6
Premier	5
Shell	60
Tricentrol	18
Ultramar	19
Mines	
Charter Cons.	18
Cons Gold	44
Lonrho	14
Rio T Zinc	56

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

European producers reduce zinc prices

BY ANDREW GOWERS

THE CONTINUING fal in zinc prices on the London Metal Exchange triggered off another round of producer price cuts in Europe yesterday, and prompted Billiton, one of the largest producers, to announce a 5 per cent reduction in output.

West Germany's Metallgesellschaft led the producer price reductien, from $880 a tonne to $830, and most other European companies fellowed suit during the day.

Billiton, which is owned by Royal Duich Shell, announced it would cut its production by 5 per cent from the 1984 level of 100,000 tonnes "in line with market demand." Jersey Miniere, a U.S. producer, also announced it had cut output by 10 pe rcent ef its 90,000 short ton per year capacity.

However, the statements appeared to make no impact on the LME, where zinc values drifted down after a slightly stronger epening. The metal dropped £17 a tonne on the day to close at a new 23-month low of £528.

Billiton's production cut follows larger proportional reductions by leading Canadian and Spanish producers. But there is no sign yet of a halt to the steady price decline which resumed last week after a brief rally, and traders believe that mere productien cuts will be needed if the market is to find any effective prop.

With a few intervals, the slide has been releotless since the price reached its 1985 peak of £845 a tonne in March, forcing most analysts to adjust their price forecasts downwards. Thio partly reflected a drop in Chinese purchases, which had been helping to support the market last year.

In their recent quarterly report on zinc, Shearson Lehman Brothers predicted that supply and demand would be roughly in balance this year and in surplus next, eliminating the significant deficit experienced in 1982 and 1983.

Refined production had proved higher than expected over the last year, while consumption appears to be falling further behind growth in industrial production, the report said.

Britain backs tougher EEC cereals standards

BY OUR COMMODITIES STAFF

THE BRITISH Government yesterday swung its support behind moves in the European Community to tighten quality standards for grain sold into intervention as a way of implementing cereal price cuts which EEC ministers have failed te agree.

Mr Michael Jopling, UK agriculture minister, told the Home-Grown Cereals Authority'e harvest lunch in Londen:

"Obviously we have to consider price restraint by means other than a reduction in institutional prices themselves; and we have to be ready te respond to completely different approaches if these gain ground in the Community."

One way of doing this, he implied, would be to tighten quality standards fer grain bought by the Community under price support arrangements to reflect market requirements more closely.

Mr Jopling said there was a danger of intervention stocks piling up in the UK with poor export prospects because current intervention arrangements did not allow for a price discount for poorer-quality wheat.

Much of the Community's lower-quality wheat is produced in the UK, and British grain interests bave long been opposed to tighter quality standards on the grounds that this weuld effectively discriminate against them.

Philippines copper company to cut output

By Leo Gonzaga in Manila

THE Atlas Conselidated Mining and Development Corporation of the Pbilippines anneunced yesterday that it has decided to reduce its cepper concentrates production by 28 per cent in order to minimise costs in the face of mounting losses.

The announcement, made by Mr Harry A. Toelle, the president and chief operating efficer, said that there will he a elowdown of eperations in the Carmen epen pit mine and the Biga concentrator, hoth in Teledo.

Atlas shares were untraded on the local bourses yesterday as investors tried to assess possible effects of the output cutback.

WEEKLY METALS

All prices are supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,820-2,900.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 4.15-4.20.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.67-0.72, sticks, 0.72-0.77.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 11.30-11.45.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 290-298.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.25-3.35.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 6.35-6.90.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif, 58-69.

VANADIUM: European Free market, min. 98 per cent V_2O_5, ether sources per lb V_2O_5, cif, 2.13-2.23.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 15.00.

Daggers drawn in the tin market

Relations between the London Metal Exchange and the International Tin Council are at a historically low ebb following the Exchange's recent move to protect traders against a price squeeze being operated by the Council's buffer stock manager—**John Edwards** explains the background to the row

THE LONDON Metal Exchaege has get itself into all kinds of trouble following its decisien en June 26 te intervene in its tin market; first of all by suspending tradiog and then only allewing dealings to be resumed next day with a £90 a tenne maximum en the ameunt payable daily by traders unable to meet their contracted delivery commitments.

It has become involved in a public slanging match with the buffer stock of the International Tin Council, the intergoveromental organisation representing both producing and consuming countries, including Britain. At the same time the exchange has come under attack from some of its own members who are distinctly unhappy about the way the whole matter was handled and are fearful about the long-term repercussions.

There are some important fundamental issues involved. The most crucial is the relationship between the exchange, representing free market forces, and the International Tin Council, whose aim is to achieve long-term stabilisation effectively by manipulating the market through the use of export qnotas and the buffer stock to keep prices within an agreed range.

Is manipulation, which would be roundly condemned if carried out hy speculators, acceptable just because it is being done on behalf of an intergovernmental organisation?

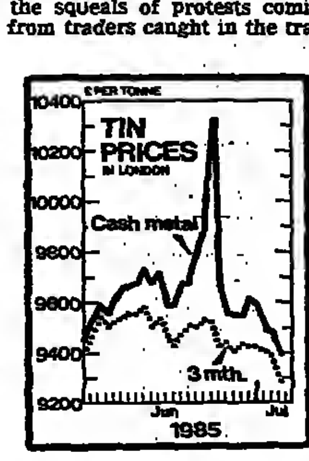
Also in dispute is whether the exchange sbould be allowed to interfere, as it did, appareetly, to bail out some member companies threatened with beavy lesses as a result of a speculation that misfired.

The current problems started at the end of March when the buffer stock won approval te deal below the tin agreement "floor" price if necessary. This triggered off fears that the buffer stock, whicb has accumulated seme 60,000 tennes of surplus tin (currently worth ever £250m and costing a fortune to finance) was finally running out of mooey. Anticipating a possible price collapse several tin traders sold heavily for delivery in three months time—that is the end of June. Some of these forward sales were proper bedging transactions made against forward purchases from producers, notably Brazil, which wanted to sell a long way ahead in case the market did collapse. However some of the forward sales were undoubtedly speculative by traders who did not have any tin to deliver but hoped to make a profit by buying back their sales at a lower price.

Mr Pieter de Koning, the buffer stock manager, angered by the amount of money be was baving to spend on supporting the market as a result of the beavy selling, gave repeated warnings that be would insist on taking pbysical delivery of any forward sales made to him. Those who had sold without supplies to meet their delivery commitment would either have te cover er pay the price.

In spite of these warnings, and despite growing evidence of a supply squeeze developing at the end of June, some companies kept their "short" sales positions open to the final delivery date. They were, therefore, at the mercy of the buffer stock, which helds virtually all the surplus tin supplies.

Mr de Koning, claiming that he was merely trying to recoup some of the money lost previously, turned the screws on tight. He charged higher and higher premiums for providing tin to sellers covering their sales. The climax came on June 26 when the cash price of tin on the exchange surged by £435 te a record figure ef £10,325 a tonne, £850 above the three months quetation. He also forced traders te pay over £400 a tonne just to "borrow" tin for a single day—"borrowing" is a common technique used en the London Metal Exchange, supplies has been delayed. By making a simultaneous cash purchase matched by a forward normally when a delivery of sale the trader "borrows" metal from the market for a period. It was the high cost of "borrowing" imposed by the buffer stock that finally made the exchange committee decide to respond to the squeals of protests coming from traders caught in the trap.



Trading was suspended briefly and dealings only resumed next day with the restriction that the cest of "horrowing" was limited to a maximum of £90 a tonne on a daily basis. This was the same technique used by the exchange in early 1982 when a mystery group, almost certainly representing Malaysian interests, tried to corner the tin market by buying np all available supplies. On this occasion, however, the main sufferer of the restrictien was the Tin Council buffer stock, which pointed out bitterly that there was no question ef a corner since it was offering supplies all the time, at a price. Mr de Koning was particularly incensed that his offer to supply 500 tonnes ef tin at £10,000 and a further 500 at £10,100 was completely ignored by the exchange committee en the grounds that it did not deal directly with clients of individual member companies. A simple unofficial telephone call at this stage could probably have avoided the whela brouhaha, hut the clash of personalities involved was too grest. In any event the principles at stake are too deep-rooted.

The exchange says it was forced to act since the buffer stock bad undermined the market by making it impossible for traders to use for its proper function—to obtain price protection through hedging.

The buffer stock points eut that it is not acting fer profit motives, but on behalf of both producing and consuming countries including Britain, who are members ef the International Tin Agreement, the longest surviving commodity pact.

It sees the exchange's actions as an encouragement for speculators, hy bailing them out when they faced heavy losses and thereby denying the buffer stock the opportunity of recouping money lost when speculative selling drove the market dewn.

Mr de Kening also warned that the move by the exchange to intervene would provide further ammunition to producing countries that the LME only acted to prevent prices going up, and to protect speculators.

Dissident members wonder why the exchange committee waited until the last moment to act when it was obvious for several weeks beforehand that an acute "squeeze" was developing. There is also considerable dissatisfaction that members who did the proper thing and covered in time had in many cases to pay higher premiums than those who left it to the last moment, and were prepared to default, before being rescued by the Exchange. Just as the buffer stock was alleged to be charging too much, the Exchange is accused of setting the maximum limit at much too low a level of £90 a tonne giving the speculators, unable to deliver tin as contracted, a cheap way out.

There is a fair amount of sympathy for the buffer stock manager, who is, after all, a valuable client for many of the member companies, and is viewed as having done a remarkable job in the past few years in keeping control of the market in the face of tremendous odds.

While the present row between the Tin Council and the exchange is to a large extent based on personality differences, and will no doubt blow over, it highlights the basic clash between the interest of those trying to achieve stability by imposing artificial restraints on price movements and those who believe that free market forces are the best way of ensuring the correct supply-demand equilibrium.

Opponents of the International Tin Agreement argue that by maintaining artificially high prices at enormous cost, demand fer tin bas been stultified and substition encouraged, while excessive production hos heen unduly stimulated. Many traders believe that there is unlikely to be a 7th agreement, when the present 6th agreement expires.

However, the future of the agreement will not be decided for some time yet, since the present pact could be extended for twe further years when it expires next June. So the exchange and the Tin Council will have to learn to live with each other, just as they have fer the past 25 years or so.

LONDON MARKETS

BASE METALS

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM — [illegible]

COPPER — [illegible]

LEAD — [illegible]

NICKEL — [illegible]

TIN — [illegible]

ZINC — [illegible]

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

[illegible]

GOLD

[illegible]

SILVER

[illegible]

FREIGHT FUTURES

[illegible]

INDICES

FINANCIAL TIMES — REUTERS — MOODY'S — DOW JONES

[illegible]

GRAINS

[illegible]

RUBBER

[illegible]

COFFEE

[illegible]

OIL

Refiners entered the market as buyers pushed up prices for all crudes, particularly for August Brent where they were attracted by the discount against July. Nymex opened 14c up. [illegible]

COCOA

[illegible]

SUGAR

[illegible]

SOYABEAN MEAL

[illegible]

POTATOES

[illegible]

PIGMEAT

[illegible]

MEAT

[illegible]

U.S. MARKETS

PRECIOUS METALS registered modest losses on European long liquidatien prompted by continued evidence that inflation will remain subdued, reports Heinold Commodities. Copper and aluminium were steady on evidence of trade support below the market. Sugar traded in featureless conditions awaiting the EEC selling tender. Cocoa lost ground on reports of more favourable precipitation in the Ivory Coast and on producer selling. Coffee came under pressure on good availability and the lack of freeze news. Cotton held steady reflecting favourable new crop prospects. Heating oil showed sharp gains on short-covering as spot crude oil and gasoline supplies continued tight, and without any indications that a quick relief was forthcoming. Grains and soyabeans came under eteady pressure as the weekly state reports indicated favourable growing conditiens. Seme evening—up ahead of the crop report also contributed to the bearishness.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
July	44.55	44.50	44.30	44.25
August	44.75	—	—	44.55
Sept	45.05	46.15	44.80	44.95
Dec	46.00	46.15	45.80	45.86
Jan	46.30	—	—	46.1e
March	46.55	47.05	47.05	46.00
May	47.65	—	—	47.50

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
July	59.25	59.90	59.30	59.30
August	59.65	—	—	59.65
Sept	60.10	60.50	60.10	60.10
Dec	61.10	61.55	61.10	61.10
Jan	61.45	—	—	61.46
March	62.10	62.45	62.25	62.10
May	62.60	63.00	62.80	62.55
July	63.05	63.45	63.25	63.05
Sept	63.55	64.05	64.00	63.55
Dec	64.28	—	—	64.25

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
July	62.17	62.30	61.00	61.44
Oct	61.27	61.65	61.25	61.30
Dec	61.44	61.89	61.40	61.60
March	62.20	62.65	62.20	62.40
May	62.53	62.80	62.50	62.65
July	62.45	62.80	62.80	62.58
Oct	59.20	59.60	58.95	59.10
Dec	58.60	58.95	58.80	58.80

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
August	27.42	27.42	27.13	26.98
Sept	26.76	26.77	26.54	26.33
Oct	26.27	26.28	26.06	25.84
Nov	25.86	25.86	25.65	25.60
Dec	25.55	25.57	25.00	25.23
Jan	25.22	25.26	25.07	24.96

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Sept	2.75	2.76	2.71	2.70
Oct	2.86	2.90	2.82	2.83
Jan	3.08	3.10	3.05	3.04
March	3.44	3.49	3.43	3.43
May	3.66	3.70	3.63	3.63
July	3.83	3.87	3.82	3.85
Sept	3.93	—	—	3.93
Oct	4.08	4.15	4.07	4.12

GOLD 100 troy oz, $/troy oz — [illegible]

HEATING OIL 42,000 U.S. gallons — [illegible]

ORANGE JUICE 15,000 lb, cents/lb — [illegible]

PLATINUM 50 troy oz, $/troy oz — [illegible]

SILVER 5,000 troy oz, cents/troy oz — [illegible]

COCOA 10 tonnes, $/tonnes — [illegible]

COFFEE "C" 37,500 lb, cents/lb — [illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb — [illegible]

LIVE HOGS 30,000 lb, cents/lb — [illegible]

MAIZE 5,000 bu min, cents/56-lb bushel — [illegible]

PORK BELLIES 38,000 lb, cents/lb — [illegible]

SOYABEANS 5,000 bu min, cents/60-lb bushel — [illegible]

SOYABEAN MEAL 100 tons, $/ton — [illegible]

SOYABEAN OIL 60,000 lb, cents/lb — [illegible]

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
July	310.6	315.4	311.0	314.0
Sept	318.4	319.4	315.6	317.2
Dec	323.4	327.0	323.0	324.2
March	324.6	326.0	323.2	324.2
May	312.0	314.4	311.4	312.6
July	297.5	299.0	292.4	298.0

SPOT PRICES—Chicago loose lard 17.00 (18.00) cents per pound. New York tin 585.0-92.0 (583.0-92.0) cents per pound. Handy and Harman silver bullion 603.5 (601.0) cents per troy ounce.

OTHER MARKETS

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. July 622.0, 626.0, 624.0-621.0; Oct 620.0, 624.0, nil; Dec 622.0, 623.5, 623.5; Mar 628.0, 630.0, 630.0-629.5; May 630.0, 643.0, nil; July 642.0, 650.0, nil; Oct 619.0, 643.0, nil; Dec 624.0, 650.0, nil. Sales: 15.

ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S. two soft red winter Aug 139, Sept 142, Oct 144, Nov 147 sellers. U.S. two northern spring 14 per cent protein Aug 153, Sept 156, Oct 161, Nov 163 sellers. U.S. northern spring 15 per cent protein Aug 170, Sept 169, Oct 172, Nov 174 sellers. U.S. three hard amber durum July 168, Aug 167, Sept 160.50, Oct 164, Nov 167 sellers. Canadian one western amber durum July 175, Aug 173, Sept 171, Oct 175 sellers.

MAIZE—(U.S. $ per tonne): U.S. three yellow Aug 125, July 128, Aug 125, Sept 123, Oct-Dec 120, Jan-March 123 sellers. Argentine Plate July 131, Aug and Sept 129 sellers.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 36 tonnes. Few contracts of note were secured but some useful demand was encountered in American styles.

PARIS

SUGAR—(FFr per tonne): Aug 1155/1167, Oct 1160/1160, Dec 1168/1175, March 1193/1195, May 1238/1246, Aug 1291/1295.

COCOA—(FFr per 100 kg): July 2030/2130, Sept 2120/2122, Dec 2071/2075, March 2075/2085, May 2080 bid, July 2085 bid, Sept 2085 bid.

CURRENCIES, MONEY and CAPITAL MARKET

FOREIGN EXCHANGES

Money growth boosts pound

Sterling rose to its best level since February 1984 in currency markets yesterday, following an unexpected sharp rise in UK money supply in the month to mid-June. A 2 per cent rise in M3 widened the gap between Government targets and this year's growth still further and effectively dampened any hopes of an early reduction in domestic interest rates.

Against this background the pound's exchange rate index rose to 83.2, its best closing level since February 1984 and up from 82.2 on Monday. In terms of the dollar it touched a best level of $1.3710 before closing at $1.3650-$1.3660, a rise of 2.05c from Monday and its highest closing level since June 1984. Additionally the pound was very strong in terms of the D-mark, finishing at DM 4.04, up from DM 4.0050 and its best level since September 1983. Elsewhere it closed at Y333.0 from Y330.50 and SwFr 3.3725 compared with SwFr 3.3550.

Sterling's improvement was helped to some extent by a sharp fall in the U.S. dollar. The latter failed to hold at a significant support level of DM 2.9750 against the D-Mark and this prompted further selling in nervous trading. While the dollar's outlook remains bearish, the market still shows some reluctance to initiate too forceful a downturn, bearing in mind the dollar's proven powers of recovery. Consequently some long dollar positions are being retained until further evidence is given on the pace of the U.S. economy. There is little economic data due until Friday while next week sees the first revision to second quarter GNP figures. At the same time expectations of a further reduction in the U.S. discount rate have reached a high pitch.

The dollar closed at DM 2.9600 against the D-mark, up from the day's low of DM 2.9485, but well down from Monday's figure of DM 2.9800 and its lowest closing level since November 1984. Elsewhere it fell to Y244.20 from Y246.0 and SwFr 2.4765, compared with SwFr 2.4995. Against the French franc it slipped to FFr 9.0050 from FFr 9.0775. On Bank of England figures, the dollar's exchange rate index fell from 142.7 to 141.2 its lowest level since November 1984.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.9600. June average 3.0639. Exchange rate index 122.9 against 120.4.

The dollar finished sharply weaker against the D-mark in Frankfurt yesterday at DM 2.9580 down from DM 3.0150 previously. Earlier in the day it was fixed at DM 2.9720 without any intervention from the Bundesbank. Many people are holding back for further information on the growth rate of the U.S. economy but the dollar's inability to hold at important support levels created further selling.

STERLING INDEX

	July 9	Previous
8.30 am	82.5	81.7
9.00 am	82.5	81.8
10.00 am	82.4	81.9
11.00 am	82.7	81.9
Noon	82.7	82.0
1.00 pm	83.0	82.0
2.00 pm	83.1	82.0
3.00 pm	83.3	81.8
4.00 pm	83.2	82.2

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc ...	44.9008	45.4050	+1.12	+0.65	±1.5471
Danish krone ...	8.14104	8.09527	−0.56	−1.03	±1.6419
German D-mark.	2.24184	2.25616	+0.44	+0.17	±1.1475
French franc......	6.87456	6.86739	−0.10	−0.57	±1.3669
Dutch guilder ...	2.52595	2.54130	+0.61	+0.14	±1.5171
Irish punt.........	0.72569	0.719979	−0.78	−1.26	±1.6673
Italian lira	1403.49	1437.72	+2.44	+2.30	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

	July 9	Prev. close
£ Spot	$1.3665-1.3675	$1.3480-1.3490
1 month	0.60-0.57 pm	0.60-0.58 pm
3 months	1.52-1.48 pm	1.52-1.49 pm
12 months	4.30-4.16 pm	4.35-4.28 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

July 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3420-1.3710	1.3660-1.3680	0.59-0.56c pm	0.06	1.53-1.48 pm	4.41
Canada	1.8231-1.8626	1.8475-1.8505	0.55-0.45c pm	3.24	1.33-1.19 pm	2.73
Nethlnd.	4.51½-4.55¾	4.54½-4.55½	2⅛-2⅛c pm	6.10	6⅞-6⅜ pm	6.49
Belgium	80.85-81.46	81.25-81.35	31-25c pm	4.13	77-67 pm	3.54
Denmark	14.38½-14.52¼	14.49½-14.49½	4⅛-3⅝ore pm	3.00	10-8⅞ pm	2.61
Ireland	1.2788-1.2920	1.2887-1.2912	0.25-0.16c pm	1.86	0.60-0.42 pm	1.58
W. Ger.	4.00¾-4.04½	4.03½-4.04½	2⅝-2½pf pm	7.80	7⅛-6⅞ pm	6.83
Portugal	228½-234½	229-232½	230-575c dis	−20.83	680-1615dis	−19.89
Spain	228¾-231¾	231¼-231¾	20-80c dis	−1.81	162-200 dis	3.04
Italy	2561½-2585¾	2577½-2578½	par-3lire dis	−0.70	7-11 dis	−1.40
Norway	11.59½-11.66¾	11.62-11.64	¼ore pm-¼ dis	−0.26	⅞-1⅛ dis	−0.45
France	12.20¾-12.31	12.28-12.29	2⅜-2⅛c pm	2.44	6-5 pm	1.79
Sweden	11.58-11.70½	11.67-11.68	3-3⅝ore dis	−3.40	10⅜-11⅛dis	−3.79
Japan	330¼-334	332½-333½	1.86-1.66y pm	6.86	5.00-4.87 pm	5.93
Austria	28.14-28.41	28.37-28.41	16⅛-14⅝gro pm	6.46	41½-37¼ pm	5.57
Switz.	3.36½-3.38½	3.36½-3.37¼	2⅛-2⅛c pm	7.78	6-5¾ pm	6.97

Belgian rate is for convertible francs. Financial franc 81.85-82.05. Six-month forward dollar 2.71-2.66c pm. 12-month 4.30-4.15c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

July 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.3420-1.3716	1.3650-1.3660	0.59-0.56c pm	5.05	1.53-1.48 pm	4.41
Ireland†	1.0494-1.0616	1.0586-1.0594	0.31-0.26c pm	3.26	0.80-0.70 pm	2.88
Canada	1.3525-1.3565	1.3530-1.3540	0.19-0.22c dis	−1.82	0.65-0.60dis	−1.70
Nethlnd.	3.3205-3.3690	3.3325-3.3335	0.28-0.25c pm	0.95	0.94-0.91 pm	1.10
Belgium	59.46-60.16	59.50-59.60	4-5c dis	−0.90	12-14 dis	−0.87
Denmark	10.59½-10.72	10.62½-10.63	1⅜-1⅝ore dis	−1.68	3½-4 dis	−1.40
W. Ger.	2.9485-2.9855	2.9595-2.9605	0.70-0.65pf pm	2.72	1.92-1.87 pm	2.65
Portugal	170½-173	170½-171	250-500c dis	−26.16	850-1400dis	−23.84
Spain	169-170¾	169-169½	95-105c dis	−7.06	305-325 dis	−7.40
Italy	1882-1906	1888-1889	9½-10lire dis	−6.14	28¼-29 dis	−6.01
Norway	8.50½-8.60¼	8.52¼-8.52¾	3½-4ore dis	−5.28	10½-11 dis	−5.02
France	8.97-9.08¼	9.00½-9.00¾	1.85-1.95c dis	−2.52	5.90-6.20dis	−2.68
Sweden	8.55¾-8.62½	8.54-8.54½	5½-6ore dis	−8.03	17-17½ dis	−8.03
Japan	243.00-246.50	244.15-244.25	0.35-0.32y pm	1.68	0.93-0.88 pm	1.47
Austria	20.73-20.96¼	20.72-20.76	2¼-2gro pm	1.36	7½-5 pm	1.20
Switz.	2.4630-2.5040	2.4760-2.4770	0.57-0.51c pm	2.60	1.60-1.54 pm	2.52

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 60.00-60.10.

OTHER CURRENCIES

July 9	£	$		£ Note Rates
Argentina Austl.	1.0948-1.0974	0.8000-0.8019	Austria	28.15-28.45
Australia Dollar	2.0000-2.0040	1.4660-1.4665	Belgium	81.46-82.66
Brazil Cruzeiro	6,347-6,585	6,100-6,120	Denmark	14.40-14.54
Finland Markka	8.3880-8.4046	6.1600-6.1620	France	12.20-12.36
Greek Drachma	177.16-180.97	131.77-134.53	Germany	4.00½-4.04½
HongKong Dollar	10.5920-10.6120	7.7560-7.7590	Italy	2540-2576
Iran Rial	161.90*	91.60*	Japan	328-336
KuwaitDinar(KD)	[illegible]	[illegible]	Netherlands	[illegible]
Luxembourg Fr	[illegible]	[illegible]	Norway	[illegible]
Malaysia Dollar	[illegible]	[illegible]	Portugal	[illegible]
New Zealand Dlr	[illegible]	[illegible]	Spain	[illegible]
Saudi Arab. Riyal	[illegible]	[illegible]	Sweden	[illegible]
Singapore Dollar	[illegible]	[illegible]	Switzerland	[illegible]
Sth African Rand	[illegible]	[illegible]	United States	[illegible]
U.A.E. Dirham	[illegible]	[illegible]	Yugoslavia	[illegible]

* Selling rate.

CURRENCY MOVEMENTS

July 9	Bank of England Index	Morgan Guaranty Change %
Sterling	83.2	−6.1
U.S. dollar	141.8	+27.1
Canadian dollar	87.8	−6.6
Austrian schilling	113.3	+3.6
Belgian franc	89.8	−11.2
Danish Kroner	78.1	−6.0
Deutsche mark	128.8	+6.7
Swiss franc	141.9	+8.3
Guilder	113.4	+3.1
French franc	68.7	−13.1
Lira	45.6	−17.3
Yen	156.0	+16.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 9	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.748898	0.659043
U.S. $	7½	1.01067	0.760298
Canadian $	9.68	*	1.02944
Austria Sch.	4½	21.1199	15.8066
Belgian Fr	9¼	60.4801	45.4050
Danish Kr	7	10.8222	8.09527
D mark	4½	3.00341	2.25616
Guilder	5½	3.37935	2.54130
French Fr	[illegible]	9.13050	6.86739
Lira	[illegible]	[illegible]	1437.72
Yen	[illegible]	[illegible]	[illegible]
Norwgn Kr	[illegible]	[illegible]	[illegible]
Spanish Pta	[illegible]	[illegible]	[illegible]
Swedish Kr	[illegible]	[illegible]	[illegible]
Swiss Fr	[illegible]	[illegible]	[illegible]
Greek Dr'ch	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	0.719979

* CS/SDR rate for July 8: 1.36548.

EXCHANGE CROSS RATES

July 9	Pound Sterling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.366	4.040	333.0	12.59	3.372	4.559	2576	1.849	81.50
U.S. Dollar	0.732	1.	2.960	244.2	9.005	2.477	3.336	1886	1.354	59.65
Deutschemark	0.248	0.338	1.	82.43	3.041	0.835	1.128	636.1	0.458	20.19
Japanese Yen 1,000	3.003	4.101	12.13	1000.	36.90	10.13	13.68	7748.	5.553	244.1
French Franc 10	0.814	1.118	3.289	271.1	10.	2.746	3.704	2096.	1.505	66.16
Swiss Franc	0.297	0.405	1.198	98.74	3.643	1.	1.349	764.4	0.548	24.11
Dutch Guilder	0.220	0.300	0.888	73.19	2.700	0.741	1.	566.0	0.406	17.87
Italian Lira 1,000	0.388	0.530	1.568	129.3	4.766	1.308	1.766	1000.	0.717	31.54
Canadian Dollar	0.541	0.739	2.186	180.1	6.644	1.824	2.461	1394	1.	43.97
Belgian Franc 100	1.230	1.680	4.960	409.6	15.11	4.148	5.597	3171.	2.274	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

July 9	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Asian $ (closing rates in Singapore): Short-term 8-8¼ per cent; seven days 7¾-7⅞ per cent; one month 7¾-7⅞ per cent; three months 7⅞-8 per cent; six months 7⅞-7⅞ per cent; one year 8⅛-8⅜ per cent. Long-term Eurodollars: two years 9-9¼ per cent; three years 9½-9¾ per cent; four years 9⅞-10⅛ per cent; five years 10⅛-10⅜ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Rates ease as pound offsets M3 rise

Interest rates were slightly easier on the London money market yesterday. The strength of sterling on the foreign exchanges has increased hopes of lower London interest rates, but recent money supply figures, and comments by the Chancellor of the Exchequer and the Bank of England have suggested otherwise. Yesterday's rise of 2 per cent in sterling M3 to mid-June appears to rule out any immediate cut in bank base rates, but dealers began to wonder whether the sharply rising pound will force a reluctant move on the authorities. Three-month interbank declined to 12$\frac{3}{16}$-12$\frac{1}{16}$ per cent from 12¼-12⅛ per cent, and discount houses buying rates for three-month bank bills eased to 11$\frac{13}{16}$ per cent from 11⅞ per cent.

The Bank of England forecast a money market shortage of £1,050m, but later changed this to £1,100m, and provided total help on the day of £1,053m.

Before lunch assistance of £177m was given, including £33m bills bought outright, by way of £2m bank bills in band 1 (up to 14 days maturity) at 12⅛ per cent; £27m bank bills in band 2 (15-33 days) at 12⅛ per cent; £2m bank bills in band 3 (34-63 days) at 12⅛ per cent; and £2m bank bills in band 4 (64-91 days) at 12 per cent. Another £144m bills were purchased for resale to the market on July 30 at a rate of 12⅛ per cent.

In the afternoon the Bank of England bought a further £486m bills outright, through £20m bank bills in band 1 at 12⅛ per cent; £25m Treasury bills in band 2 at 12⅛ per cent, £5m local authority bills in band 2 at 12⅛ per cent, and £401m bank bills in band 2 at 12⅛ per cent; £30m local authority bills in band 3 at 12⅛ per cent, and £4m bank bills in band 4 at 12⅛ per cent; and £1m bank bills in band 4 at 12 per cent.

Late assistance of £390m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £475m, with the unwinding of repurchase agreements absorbing £501m, and bank balances below target another £175m. These outweighed Exchequer transactions adding £60m to liquidity and a fall in the note circulation of £45m.

UK clearing banks base lending rate 12½ per cent since June 12

MONEY RATES

July 9	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	3.25-5.35	10⅛	0⅞-8⅛	0⅞-7	6.16525	14⅛-13	7.20	—
One month	5.35-5.50	10⅛-10¼	6-6⅛	6$\frac{7}{16}$-6$\frac{9}{16}$	6.21875	14⅛-14½	8$\frac{1}{16}$-8$\frac{3}{16}$	—
Two months	5.35-5.50	10⅛-10¼	—	—	—	—	—	—
Three months	5.35-5.60	10⅛-10¼	6⅛-6¼	6⅛-6⅛	6.34375	14¼-14⅝	8$\frac{1}{16}$-8$\frac{3}{16}$	—
Six months	5.35-5.50	10¼-10⅛	—	6⅜-6¼	—	—	8¾-9	—
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10⅛	—	06⅛	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

July 9 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 days notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days or...	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	£ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Four years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ECGD Fixed Rate Finance IV: Average Rate of Interest period June 5 to July 2 (inclusive): 12.535 per cent. [illegible]

INTERBANK FIXING FT LONDON

(11.00 a.m. July 9) 3 months U.S. dollars	
bid 7 11/16	offer 7 13/16
6 months U.S. dollars	
bid 7 3/4	offer 7 7/8

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9½
Broker loan rate	[illegible]
Fed funds	[illegible]
Fed funds at intervention	[illegible]

Treasury Bills

One month	6.60
Two month	6.77
Three month	6.86
Six month	7.02
One year	7.13

Treasury Bonds

Two year	100
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

FINANCIAL FUTURES

$ & £ dominate

The movements of the dollar and sterling on the foreign exchanges, and concern about excess money supply growth on both sides of the Atlantic, were the major factors behind price changes on the London International Financial Futures Exchange yesterday. September Eurodollars opened lower, following a weak close to the Singapore market. Despite any fears about U.S. money supply growth, the market traded very quietly in the morning, as dealers await any evidence of easier U.S. monetary policy after this week's Federal Open Market Committee meeting, and further news on the economy, particularly Friday's U.S. retail sales figures. With the opening of Chicago prices fell sharply, as the market nervously watched the dollar weaken against the D-mark and sterling. Treasury bonds led Eurodollar futures down, on fears that dollar instruments may be in danger of losing their attraction to foreign investors. Expectations of a U.S. discount rate cut helped encourage a partial recovery.

Short sterling finished slightly firmer on the day, but gilt futures were weaker. Both contracts were underpinned by the strong pound, but the rise of 2 per cent in sterling M3 money supply was about double expectations on Liffe, and led to some liquidation of long positions.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	92.23	92.28	92.18	92.33
Dec	91.82	91.87	91.80	91.94
March	91.40	91.44	91.38	91.51
June	91.02	91.03	90.98	91.16
Sept	90.72	—	—	90.84

Est. volume 4,298 (4,627)
Previous day's open int. 19,176 (19,175)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Sept	88.31	88.39	88.28	88.27
Dec	88.90	88.64	88.84	88.83
March	89.02	89.03	88.99	88.97
June	89.10	—	—	89.00
Sept	89.30	—	—	89.18

Est. volume 933 (1,143)
Previous day's open int. 5,936 (5,935)

20 YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Sept	111-04	111-16	110-30	111-07
Dec	111-16	111-16	111-18	111-18
March	111-25	—	—	111-27

Est. volume 2,388 (1,811)
Previous day's open int. 3,229 (3,229)
Basis quote (clean cash price of 13¾% Treasury 2003 less equivalent price of near futures contract) −25 to −18 (32nds).

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.3540	1.3605	1.3323	1.3245
Dec	1.3405	1.3410	1.3190	1.3116
March	1.3318	1.3129	1.3120	1.3016

Est. volume 1,029 (124)
Previous day's open int. 4,790 (4,790)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3396	0.3400	0.3387	0.3365
Dec	0.3418	—	—	0.3375

Est. volume 115 (422)
Previous day's open int. 457 (457)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Sept	0.4060	0.4060	0.4060	0.4000

Est volume nil (nil)
Previous day's open int 182 (182)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4103	0.4121	0.4090	0.4067

Est volume nil (nil)
Previous day's open int 165 (165)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Sept	124.30	125.00	124.20	125.95
Dec	125.16	—	—	126.75

Est volume 393 (314)
Previous day's open int 1,563 (1,563)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	78-06	78-16	77-27	78-23
Dec	78-05	77-14	76-29	77-22
March	78-05	—	—	76-22

Est volume 1,666 (4,026)
Previous day's open int 2,879 (2,879)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	78-00	78-02	77-28	78-10
Dec	76-31	77-01	76-23	77-07
March	75-30	75-31	75-23	76-08
June	75-00	75-00	74-27	75-07
Sept	74-02	74-03	73-28	74-10
Dec	73-06	73-06	73-05	73-14
March	—	—	—	72-20
June	—	—	—	71-27
Sept	—	—	—	—
Dec	—	—	—	70-18
March	—	—	—	69-27

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	93.09	93.13	93.05	93.14
Dec	92.80	92.85	92.78	92.86
March	92.44	92.45	92.42	92.50
June	92.12	92.12	92.10	92.18
Sept	91.83	91.93	91.83	91.89
Dec	91.58	—	91.58	91.64
March	91.28	—	91.36	91.42
June	91.16	—	91.16	91.22

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	92.54	92.58	92.50	92.59
Dec	92.12	92.12	92.12	92.18
March	—	—	—	91.72
June	—	—	—	91.34

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	92.21	92.22	92.18	92.25
Dec	91.80	91.81	91.77	91.84
March	91.37	91.38	91.35	91.41
June	90.98	90.98	90.96	91.03
Sept	90.64	90.65	90.63	90.70
Dec	90.33	—	90.33	90.39
March	90.06	—	90.06	90.16
June	—	—	—	89.94

STERLING (IMM) $ per £

	Latest	High	Low	Prev
Sept	1.3540	1.3595	1.3465	1.3368
Dec	1.3430	1.3480	1.3355	1.3240
March	1.3330	1.3400	1.3300	1.3160
June	1.3250	1.3300	1.3250	1.3085
Sept	—	—	—	1.2505

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	77-06	77-08	77-00	77-12
Dec	76-10	76-16	76-06	76-16
March	—	—	—	—
June	—	—	—	75-13
Sept	74-22	74-22	74-18	75-00

LIFFE OPTIONS REPORT

Sterling Currency—£25,000 c per £
The commercial depth of the contract continues to mature daily with good volume and record open interest.

Est Volume Calls	Est Volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
1289	431	5385	3157

Eurodollar Futures—points of 100%
A narrow trading range today reflected in low contract volume, but open interest continued its steady progress.

Est Volume Calls	Est Volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
52	18	518	500

For full details of settlement prices call Louise Powell at LIFFE on 01-623 0444. LIFFE, Royal Exchange, London EC3V 3PJ

London Clearing Banks' balances

as at June 19 1985

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the London clearing banks and cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the monetary sector.

TABLE 1. AGGREGATE BALANCES

LIABILITIES	Total outstanding £m	Total outstanding £m	Change on month £m	Change on month £m
Sterling deposits:				
UK monetary sector	19,992		+1,386	
UK private sector	62,684		+ 465	
UK public sector	1,492		+ 152	
Overseas residents	11,158		+ 157	
Certificates of deposit	5,366		− 266	
		100,692		+1,894
of which: Sight		37,059		+ 737
Time (inc. CD's)		63,632		+1,157
Foreign currency deposits:				
UK monetary sector	13,642		−1,097	
Other UK residents	4,697		+ 61	
Overseas residents	42,916		−1,046	
Certificates of deposit	6,067		− 287	
		67,322		−2,369
Total deposits		168,013		− 475
Other liabilities*		28,058		+5,074
TOTAL LIABILITIES		196,071		+4,599
ASSETS				
Sterling				
Cash and balances with Bank of England		1,445		− 46
Market loans:				
Discount houses	4,768		+1,673	
Other UK monetary sector	10,010		+2,261	
UK monetary sector CD's	2,520		− 200	
Local authorities	721		− 40	
Other	2,096		+ 24	
		29,143		+3,718
Bills:				
Treasury bills	174		− 24	
Other bills	1,968		− 309	
		2,141		− 333
Special deposits with Bank of England		—		—
Investments:				
British Government stocks	2,928		+ 326	
Other	2,762		+ 78	
		5,690		+ 404
Advances:				
UK private sector	68,251		+1,188	
UK public sector	316		+ 4	
Overseas residents	3,003		+ 336	
		71,569		+1,528
Other sterling assets*		11,029		+ 240
Foreign currencies				
Market loans:				
UK monetary sector	15,983		− 44	
Certificates of deposit	849		− 70	
Other	28,921		− 482	
		45,753		− 596
Bills		240		+ 58
Advances:				
UK private sector	6,130		+ 35	
UK public sector	1,016		− 102	
Overseas residents	16,292		− 206	
		23,439		− 272
Other foreign currency assets*		5,622		− 101
TOTAL ASSETS		196,071		+4,599
Acceptances		4,022		+ 43
Eligible liabilities		75,519		+1,721

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES

	TOTAL Out-standing £m	TOTAL Change on month £m	BARCLAYS Out-standing £m	BARCLAYS Change on month £m	LLOYDS Out-standing £m	LLOYDS Change on month £m	MIDLAND Out-standing £m	MIDLAND Change on month £m	NATIONAL WESTMINSTER Out-standing £m	NATIONAL WESTMINSTER Change on month £m	WILLIAMS & GLYN'S Out-standing £m	WILLIAMS & GLYN'S Change on month £m
LIABILITIES												
Total deposits	168,013	− 475	42,128	−403	32,754	+1,030	31,119	−1,217	57,009	+ 86	5,003	+ 29
ASSETS												
Cash and balances with Bank of England	1,445	− 48	461	− 48	247	+ 28	254	+ 11	427	− 42	56	+ 5
Market loans:												
UK monetary sector	39,790	+3,889	7,127	− 39	6,284	+1,115	7,564	+3,234	17,937	−397	877	− 24
Other	35,106	− 768	9,049	−603	7,510	+ 443	7,337	− 102	10,109	−482	1,101	− 25
Bills	2,382	− 275	727	−250	834	+ 29	380	+ 10	426	− 61	14	− 2
British Government stocks	2,928	+ 326	738	+242	712	+ 7	682	− 14	709	+ 90	86	—
Advances	95,008	+1,256	25,778	+ 10	18,570	+ 154	18,476	+ 507	29,157	+524	3,026	+ 61

TABLE 3. INDIVIDUAL GROUPS OF BANKS' ELIGIBLE LIABILITIES

	TOTAL		BARCLAYS		LLOYDS		MIDLAND		NATIONAL WESTMINSTER		WILLIAMS & GLYN'S	
ELIGIBLE LIABILITIES	75,519	+1,721	21,353	+ 22	15,509	+ 372	13,413	+ 240	22,814	+1,013	2,431	+ 74

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
[illegible]	[illegible]	Treas 8¼pcCnv '85	99½	+⅛	8.81	12.72
101	99¾	Treas. 12¼pc 1985	100	+⅛	12.25	11.92
102¼	99¾	Treas. 11¼pc '86	99⅞	+⅛	11.76	11.86
[illegible]	97	Treas. 10pcCnv 1986	98¼	+⅛	10.13	11.68
[illegible]	[illegible]	Treas 3pc 1986	94⅝	—	3.17	9.64
100	[illegible]	Treas. 10½pc Cv '86	99⅛	+⅛	10.59	11.45
101⅛	[illegible]	Treas 12pc 1986	100⅝	+⅛	11.93	11.22
[illegible]	[illegible]	Treas 8¾pc 1984-86‡‡	97⅝xd	+⅛	8.71	11.07
105	102	Exch. 14pc 1986	103⅛	+⅛	[illegible]	11.22
[illegible]	[illegible]	Exch. 2½pc 1986	95⅛	+⅛	[illegible]	7.84
[illegible]	101	Exch. 13¼pc 1987	102⅝xd	+⅛	12.[illegible]	11.23
[illegible]	[illegible]	Treas 10¼pcCv '87	98⅛	+⅛	[illegible]	11.19
[illegible]	[illegible]	Exch. 2½pc 1987	91⅛	—	2.74	8.26
99⅛	96	Exch. 10½pc 1987	98⅛	+⅛	[illegible]	11.14
93¼	89	Funding 6½pc '85-87‡‡	93⅛	+⅛	6.[illegible]	10.71
98½	95½	Treas. 10pc 1987	98	+⅛	[illegible]	11.17
90¼	84¼	Treas 3pc 1987	90¼xd	—	[illegible]	8.44
102	99¾	Treas. 12pc 1987	101⅝	+⅛	[illegible]	11.13
93	90	Treas 7¾pc 1985-88‡‡	93¼xd	—	[illegible]	10.85

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

1985 High	Low	Stock	Price $	+ or –	Div Gross	C'vr	Y'ld Gr's
22⅞	16¼	Amer Medical Int $1	19⅞xd	.....	60c	—	2.4
59⅞	32	Amer. Nat. Res. $1	51⅛xd	.....	$1.42	—	2.1
20⅝	16¼	American T. & T. $1	17⅞	–⅛	$1.20	—	5.4
79½	64½	Ameritech $1	70⅝	–1⅛	$6.00	—	6.7
23	16	Amtech	20⅝	–⅛	$1.44	—	3.5
47p	29p	♥AridTech	33p	.....	—	—	—
18½	14⅛	Bankamerica $1⅝	14⅛	–⅛	$1.52	—	8.1
60½	47	Bankers N.Y. $10	53⅞xd	–1⅛	$2.70	—	3.9
12⅛	825p	BASIX Corp.	910p	–11	12c	—	2.0
80⅛	65½	Bell Atlantic $1	68⅝	–1⅛	$6.80	—	7.7
34⅛	28⅛	Bellsouth $1	31⅛	–⅛	$2.60	—	6.5
19⅛	12	♥Beth Steel $8	12	.....	40c	—	2.6
24	16⅛	Bowater Inc.	17⅞xd	–⅛	72c	—	3.2
40½	31⅛	Brown'g-Fer. 16⅔c	38⅛	.....	$1.08	—	2.2
37⅛	26⅛	Brunswick Corpn.‖	27⅛	–½	$1.00	—	2.9
525p	284p	♥Business Computer	284p	.....	—	—	—
39⅞	31⅛	CPC Intnl. 25c	33⅛xd	–⅛	$2.20	—	5.1
25	18⅛	CSX Corp U.S.$1.00	19⅛	–½	$1.04	—	4.1
19⅛	13	CalFed Inc $1.00	18⅛xd	–⅛	32c	—	1.4
65⅛	51⅝	Campbell Soup 60c	57xd	–⅛	$2.50	—	3.4
31⅛	24⅝	Caterpillar Tractor‖	25⅞xd	–⅛	50c	—	1.5
902p	616p	Cenergy Corp. 25c	636p	–23	1c	—	0.1
52⅛	40⅝	Chase M'htn $12.5	46⅛xd	–⅛	$3.80	—	6.4
38⅛	29⅛	Chemical New York	31⅞	–⅛	$2.48	—	6.1
34½	24⅛	Chesebrough-Pond's $1	25⅛	–⅛	$1.92	—	6.0
32⅛	25⅝	Chrysler $6¼	25⅞	–1	$1.00	—	3.1
42⅛	32⅛	Citicorp $4	37⅛	–1	$2.26	—	4.0
937p	788p	CityFed Fin. Corp.	937p	+7	040c	—	3.9
23½	19⅛	Colgate-P. $1	19⅛	–⅛	$1.28	—	5.2
57⅛	44	Colt Inds. $1	47⅛	–1	$2.90	—	4.1
155p	40p	Cont Illinois Hldgs $1	64½xd	–1½	—	—	—
298p	100p	♥Corporate Data Sce.	132p	.....	—	—	—
36⅛	28⅛	Crown Zell. $5	28⅝xd	–1	$1.00	—	2.0
44⅛	18	Cullinet Sftwr $0.1	18⅞	–1	—	—	—
506p	248p	Damson Oil 40c	248p	–24	—	—	—
29	19⅛	Dana Corp. $1	19⅛	–1½	[illegible]	—	8.2
67	22⅛	Data General	27	–1	—	—	—
77p	26p	♥Dernsa-Lock Medical	28p	.....	—	—	—
67	54⅛	Dun & Bradstreet $1	60½xd	–1⅛	[illegible]	—	2.4
55½	38½	Eaton Corpn. 50c	40⅛	[illegible]	[illegible]	—	2.5

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

1985 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's	P/E
270	236	AMEC 50p	262	+10	11.0	2.3	6.0	10.4
202	178	Aberdeen Const.	180	+2	7.25	♦	5.8	♦
310	190	♦Access Satellite 5p	210	.....	2.0	2.5	1.4	41.2
25½	17	Allied Plant 5p	17½	.....	8	—	—	—
22	22	♥Amco Ind Hldgs	22	.....	—	—	—	—
56	29	Arncliffe 10p	50	.....	0.1	♦	0.3	♦
110	82	Attwoods	88	.....	3.5	1.8	5.7	15.4
280	232	BPB Inds. 50p	243xd	+1	7.7	3.0	4.5	9.7
266	206	Baggeridge Brick	252xd	.....	6.25	5.7	3.5	10.8
32	20	Bailey (Ben) 10p	20	.....	1.8	2.9	‡	3.7
40	25	Baldwin (H.J.) 10p	33	.....	—	—	—	13.0
90	66	Barratt Dev. 10p	82	+2	7.62	1.1	13.3	10.0
138	111	Bellway	122	+2	7.0	2.0	8.2	8.1
71	61	Benford M. 10p	66	.....	3.75	0.7	8.1	(35.1)
168	146	♦Berkeley Group	160xd	.....	3.6	♦	3.2	♦
64	50	Bett Bros. 20p	53	.....	3.1	1.6	8.5	9.1
630	540	Blockleys 20p	630	.....	21.0	3.0	4.8	9.0
562	468	Blue Circle £1	518	+6	20.0	2.9	3.5	7.8
222	190	Breedon Lime	206	.....	8.9	1.1	6.2	20.2
69	59½	Brickhouse Dudley 10p	60xd	.....	3.45	♦	8.2	♦
140	130	BB & EA	138	.....	13.0	4.8	3.1	8.1
79	55	British Dredging	66	.....	2.5	1.8	5.4	14.9
22	10	Brown Jackson 20p	12	.....	8	—	—	—
79	63	Brownlee	65	.....	4.0	2.2	8.8	7.3
77	64	Bryant Hldgs.	67	+1	3.0	3.0	6.4	7.2
190	35	Burnett & Hallam	40	.....	0.75	0.8	31.2	6.0
56	51	Calebread Rby. A 10p	52	.....	3.1	♦	8.4	♦
95	80	Carr (John)	98	.....	1.45	4.5	2.3	13.7
71½	50	Cement-Roadstone	70	+1	[illegible]	3.0	4.9	10.0
50	25	♥Chesterfield Grp.	40	.....	—	—	—	—
66	40	Conder Group	60	.....	1.5	♦	3.6	♦
62	25	Copson (F.) 5p	56	.....	1.5	2.0	3.6	16.2
412	334	Costain Group	404	+6	15.0	2.6	3.3	8.5

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
190	142	Lincroft Kilgour 10p	170	.....	15.5	2.5	4.7	9.9
313	209	MFI Furniture 10p	262	–5	14.6	2.8	2.5	19.9
148	115	Marks & Spencer	134	–1	3.4	2.0	3.6	19.6
70	50	Martin (A.) 20p	66	.....	3.0	2.7	7.3	6.5
303	218	Menzies (J.)	263	.....	3.38	4.8	1.8	16.2
173	116	Mollets Leis. 20p	165	+5	3.95	—	3.4	—
525	305	Moss Bros 20p	445	.....	5.0	3.4	1.6	25.8
130	96	NSS News 10p	115	–1	3.3	2.9	4.1	12.1
365	275	Owen (G.) "A"	320	.....	8.0	♦	3.6	♦
595	333	Our Price 20p	520	–5	3.0	4.0	0.8	39.5
290	178	Owen Owen	225	–5	3.9	3.0	2.5	19.5
107	60	♦Pepe Group 10p	78	.....	3.0	♦	5.4	♦
97	56	Peters Stores 10p	74	–2	2.0	—	‡	—
118	100	Preedy (Alfred)	110	.....	3.5	2.1	4.7	(12.1)
25½	20	Ramar Texts. 5p	23½	.....	1.5	2.2	9.1	(5.8)
80	46	Ratners 10p	79	.....	2.3	0.7	4.2	53.7
35	23	Raybeck 10p	30	.....	0.25	♦	1.2	♦
330	150	♦Rayford Supreme	325xd	.....	4.9	2.5	2.2	26.2
150	95	Reed Austin 'A' N/V	125	.....	4.5	♦	5.1	♦
21	18	S&U Stores 12½p	18	.....	—	—	—	—
39	33	Do. 31½pcPf. 12½p	36	.....	3.94	—	15.6	—
160	118	Samuel (H.)	160	.....	4.17	2.0	3.7	41.5
91	75	Do. 'A'	76	+1	4.17	1.0	7.8	19.7
101	78	Sears Hldgs.	96	.....	3.0	2.5	4.5	12.3
33½	13½	Selincourt 5p	26½	–½	0.03	32.9	0.2	—
245	203	♦Share Drug 10p	235	.....	1.7	3.0	1.0	39.8
240	200	Simpson (S.) "A"	210	.....	4.75	5.1	3.2	12.0
256	162	Smith (W.H.) A 50p	226	.....	4.2	3.1	2.7	17.3
71	42	Stanley (A.G.) 5p	61	.....	2.5	1.4	5.9	17.1
320	145	Stead & Sim 'A'	290xd	.....	6.6	♦	5.0	♦
90	61	Steinberg 10p	62xd	.....	2.2	2.5	5.1	10.6
83	65	Storhog Group 20p	82	+2	1.05	♦	1.8	♦
82	28	Suzanne 20p	32	.....	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
8½	6	Astra Ind'l. 5p	6	.....	0.13	—	‡	—
35	16	Aurora 10p	27	.....	—	—	—	7.7
35	17	Do. Pref Ord.	31	.....	9%	—	4.1	—
108	58½	BM Group 10p	108	+1	1.1	2.4	1.7	33.4
170	138	Babcock Intl.	143	–2	8.0	1.9	8.0	(7.9)
26¼	15¼	Bailey (C.H.)	18	+1	—	—	—	—
220	160	Baker Perkins 50p	180xd	+3	6.75	♦	5.4	9.2
119	55	Bama Inds. 20p	119	.....	5.5	1.9	6.6	14.7
4½	1½	Barbican Hldgs 1p	2	.....	8	—	—	—
92	66	Beaufort 10p	82	.....	4.5	2.5	7.8	7.4
150	98	Belgrave Hldgs.	112	.....	4.2	3.5	5.4	7.7
22	15	Bevan (D.F.) 5p	18	.....	1.0	3.0	7.9	4.7
92½	80	Birmid Qualcast	86	–1	3.25	1.9	5.4	6.9
245	203	Birmingham Mint	238	.....	11.5	♦	7.1	♦
£24¼	£14⅛	Black & Decker $0.50	£15	.....	064c	—	3.3	—
37	22	Blackwood Hodge	84	–½	—	—	—	9.6
10½	5	Boulton Wm 10p	7¼	.....	—	—	—	—
136	114	Braithwaite £1	136xd	+2	9.1	0.3	4.6	—
61	40	Brasway 10p	60	.....	2.33	2.0	5.1	14.7
5¼	3¼	Bristol Ch. Ship 10p	4	.....	—	—	—	8.7
142	110	Brit. Steam 20p	122xd	–3	6.25	2.5	7.3	8.6
35	24	Bromsgrove Inds 5p	30	.....	[illegible]	4.2	4.4	6.1
19	10½	Bronx Eng. 10p	15	+½	[illegible]	—	4.8	—
30	23	Brooke Tool	26	.....	[illegible]	2.0	5.5	5.0
144	121	Brown & Tawse	131xd	–1	[illegible]	♦	7.1	♦
37	26	Brown (John)	31	–2	[illegible]	—	—	—
297	135	Bullough 20p	230	–2	7.5	2.5	4.4	13.0
172	102	Burgess Products	150	–2	[illegible]	9.6	1.9	26.6
46	26½	Camford Eng.	84	.....	[illegible]	4.2	3.4	7.5
20	10	♥Carousel Inc	12	.....	—	—	—	—
295	168	Carclo Eng.	208	–7	[illegible]	♦	6.1	♦
180	106	Cartwright R. 10p	168	–2	[illegible]	2.1	3.3	10.9
69	58	Castings 10p	62	.....	[illegible]	♦	8.6	♦
72	48	Chamberlin & Hill	64	.....	[illegible]	3.0	7.8	6.1
560	465	Chemring 5p	520	.....	20.0	3.8	2.7	13.6
39	31	Christy Hunt	35	.....	—	—	—	16.7
130	61	Clayton Son 50p	118	.....	6.0	2.2	7.8	8.5
540	440	Cohen (A) 20p	470	.....	10.8	♦	3.3	♦
75	62	Concentric 10p	64	.....	3.48	1.5	7.5	10.8
62	52	Cook (Wm.) (Sh.) 20p	56	.....	2.5	3.2	6.6	5.4

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
26½	19	Ryan Hotels 5p	21½	.....	Q0.57%	2.7	3.6	12.7
420	350	Savoy "A" 10p	358	.....	12.0	3.6	0.8	23.9
69	53	Stakis 10p	65	.....	1.8	2.8	2.4	17.8
161	124	Trusthouse Forte	128	–2	4.7	1.3	5.3	13.6

INDUSTRIALS (Miscel.)

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	134	–1	[illegible]	3.3	6.6	9.3
154	119	AAH	975	.....	47.3	♦	—	♦
£12⅞	975	AGA AB K25	208	–5	6.8	2.4	4.3	21.0
295	175	AGB Research 10p	182	.....	6.75	1.2	8.1	13.8
124	97	AIM 10p	140	+2	2.8	3.1	4.0	11.4
130	98	♦Aeronautic Group	100	.....	4.2	1.9	6.0	11.7
112	70	Aaronson Bros. 10p	56	.....	—	—	—	5.9
56	50	Abbey	33	.....	—	—	—	—
56	33	Aberfoyle Hldgs. 5p	152	.....	5.5	2.3	4.3	14.2
166	125	Alexander W'hsea 10p	£15¼	–½	Q10%	♦	6.1	♦
£20¼	£15⅛	Alfa-Laval AB'B'SK50	123	.....	2.7	8.3	3.1	8.3
143	115	Amari	110	.....	6.0	2.3	7.8	7.9
140	85	Amber Ind. 10p	£11	.....	Q25%	2.0	5.4	27.8
£17½	£11	Amer Group FM20	65	.....	—	—	—	10.1
116	60	Ang. African Fin 7½p	33	–½	1.4	3.2	6.2	6.1
35	23	Anglo Nordic	300	.....	4.57	♦	2.2	♦
370	86	Appledore (A & P) 10p	135xd	.....	1.5	♦	1.6	♦
200	120	Applied Computer	30	.....	8	—	—	♦
33	29	Areonson 10p	27½	.....	0.18	6.0	2.5	11.9
26½	17½	Armour Trust 10p	16	.....	—	—	—	30.7
27	14	Ashley Ind. Tst.	4	.....	0.3	—	‡	—
14½	3	Assoc. Br. Eng. 12½p	145	.....	08%	—	15.8	—
180	140	Do. 8pcCumCvRdPf	272	.....	8.5	0.8	4.5	—
287	180	Assoc Brit Ports	58	–2	1.0	3.6	2.5	16.0
87	50	♦Assoc. Energy 5p	347	.....	11.0	♦	4.6	♦
357	305	Assoc Heat Services	170	.....	8.0	2.1	6.7	11.7
180	165	♦Assoc Steel Dist £1	128	.....	6.05	♦	7.2	♦
126	109	Astley & Madeley 20p	£34½	.....	Q12%	4.6	0.7	30.3
642	£31⅛	Astra AB SK25	260	–5	15.0	5.8	2.7	6.6
318	219	Avon Rubber £1	75	.....	1.74	0.9	3.3	50.0
94	51	BBA Group	295	.....	12.0	1.8	3.8	31.8
330	278	BET Defd.	70	.....	1.5	♦	3.1	♦
87	60	BETEC	262	–6	7.7	5.1	4.3	(6.4)
312	240	BOC Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

مكتبة الأصل

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
104	79	Marley	79		3.75	2.2	6.0	9.6
107	52	Marling Ind 10p	89	−1	†d3.0	5.6	2.1	10.4
74	36	Marshall L'ey 'A'	61		2.4	4.9	5.6	4.4
77	61	Marshall's Universal	63		2.0	1.4	4.5	(20.0)
86	78	Do. 7½pcCnRedPf £1	81xd		7½%		15.2	—
22	22	Marton-Black	22●		—	—	—	
£97	£81	Matheson 7¾%	£95		Q7¾%	2.3	8.5	
35	26	Maxiprint 1p	31	−1	—	—	—	—
477	375	Metal Box £1	452	−10	17.25	3.1	5.5	6.8
170	136	Metal Closures	138		6.7	2.0	6.9	6.6
17	9	Metal Sciences 2½p	11		—	—	—	—
104	73	Midland Marts	83xd		4.0	◆	6.9	◆
83½	68	Mitchell Cotts	68	−½	†4.0	1.5	8.4	9.7
236	187	Morgan Crucible	207		0.0	1.6	5.5	14.4
32½	22	Morris (W) F.A. 20p	30½	−½	g0.5	◆	2.3	◆
110	91	Moss (Robt.) 10p	96		3.0	2.3	4.5	10.6
81	68	Myson Grp 10p	71		g2.5	3.4	5.0	13.5
328	214	NMW Computers	280		†4.8	2.7	2.6	20.0
43	28	Nash Inds.	28		†2.5	1.5	‡	6.4
48	20	Neill & Spencer 10p	22		◆	—	—	6.6
44	14½	Newman Inds 10p	36		—	—	—	(17.0)
44	18½	Do. 10pc Cn.Cm.Pf.	33½		10%	—	4.3	—
56	43	Nolton	53		g1.1	4.5	3.1	8.6
183	146	Norcros	169	+1	8.6	2.5	7.5	8.1
67	50	Nu-Swift 5p	53	−1	3.0	1.1	8.1	10.2
111	68	Oakwood Grp	95		†d4.5	1.4	6.9	(13.7)

LONDON STOCK EXCHANGE

MARKET REPORT

Sterling sends Gilts higher but drags equities down

Index closes 19.2 lower at 932.0

Account Dealing Dates

Option *First Dealings	Declara-tions	Last Dealings	Account Day
July 1	July 11	July 12	July 22
July 15	July 25	July 26	Aug 5
July 29	Aug 8	Aug 9	Aug 19

* "New-time" dealings may take place from 9.30 am two business days earlier.

The two principle areas of London stock markets were pulled in opposite directions yesterday by the soaring sterling exchange rate. Its continued rise against not only the dollar but also leading European currencies attracted further overseas and dometic buying of Government stocks. However, at the same, the *rising pound undermined* the equity market and left it looking thoroughly dejected.

Awaiting the 2.30 pm announcement of the June Banking statistics, longer-dated Gilts were a half-point or so higher. *The rise of 2* per cent in sterling M3 was at the highest end of the expected range and the Gilt edged market then became uncertain. Selected longs came back ¼ but eventually recovered much of the ground lost to close with net gains of ⅜.

The latest surge in UK money supply was distorted by the recent large oversubscription of the Abbey Life issue, but it seemed to rule out any immediate chance of lower base lending rates. Equity traders were pessimistic and the fall in values, which slowed ahead of the money figures, gathered pace again afterwards. The upshot was that the FT Ordinary share index sustained its largest one-day fall since February 12 in closing *19.2 down at 932.0.*

International stocks suffered as export prospects continued to be adversely affected by currency movements, while a further setback in the troubled electronics sector accentuated the market's *overall depression. Dealers* reported few signs of increased selling activity but all expressed concern over the continued lack of any worthwhile interest.

Only the Building sector put up a spirited resistance to the downturn. Reports that the Government may heed the request to increase spending on roads, bridges and public buildings now in urgent need of repair initially stimulated most shares prices subsequently turned away from the highest levels but still settled higher on the session.

Lloyds brokers up

Unsettled of late by adverse comment on the PCW affair, Lloyds Brokers perked up. C. E. Heath moved forward *12* to 617p and Stewart Wrightson added 7 at 590p.

Renewed buying of the clearing banks dried up and quotations drifted easier in sympathy with general dullness. NatWest, which begin the interim dividend season on July 30, touched a 1985 peak of 720p before closing 7 easier on balance at 708p. Barclays ended 5 off at 410p, after 420p, but Lloyds were finally unchanged at 415p, after 423p.

Insurance brokers Bradstock just managed to hold the offer-for-sale level of 170p, after 165p, in opening dealings but Unlisted Securities Market debutant Sapphire Petroleum flopped to *120p* compared *with* the *offer*-for-sale price of 150p; some 35 per cent of the latter issue was left with the underwriters.

Reports that the Government acceds to calls for a major programme of repairs for public roads and buildings coupled with lingering hopes of lower interest rates gave a major initial boost to the Building sector. Profit-taking and the latest money supply figures, which effectively dashed interest rate hopes, took many issues away from their best levels but the majority were left with good gains on the day.

Gains of 10 were common to Redland, 286p, after 290p, RMC, 360p, after 364p, AMEC, 262p, after 264p, and Mowlem, 225p, while rises of between 6 and 8 were seen in Ibstock Johnsen, 142p, Blue Circle, 518p, after 525p, Costain Group, 404p, after 406p, and Alfred McAlpine, 266p. Tarmac touched a year's best of 316p before closing a net 8 to the good at 310p, with sentiment additionally helped by talk that the company is about to sell its oil and gas subsidiary Plascom privately for a sum of between £35m and £40m. Taylor Woodrow rose 6 to 434p; the rights issue was taken up as to 92.4 per cent. In Timbers, Magnet and *Southerns* edged up to *126p* before settling a net couple of pence easier at 122p awaiting today's preliminary results.

Recent adverse Press comment and the strong advance by sterling against the dollar prompted renewed selling of ICI which gradually declined to close a further 17 off at 710p—a two-day fall of 37.

Leading Stores were virtually unscathed by the general shake-out, most issues giving modest ground in light trading. Debenhams advanced to 391p initially before settling a net penny to the good at 385p following the not entirely unexpected news that the hostile bid fro mBurton is not to be referred to the Monopolies Commission; Burton, which also received clearance for the proposed acquisition of John Collier, also hardened the turn, to 462p, after 464p. Buyers showed occasional interest in Etam, 4 up at 176p, and in Executex Clothes, another 2 up 42p. Stirling also hardened a couple of pence to 82p following increased full-year profits.

Myers Emporium were quoted 10 higher at 150 *following* the A$540m bid from fellow Australian retailer G. J. Coles, around 10 cheaper at 188p.

Thorn EMI volatile

Electrical leaders suffered from from a fresh bout of depression. Publicity given to a broker's bearish review of Thorn EMI coupled with news of planned redundancies at the latter's troubled Inmos subsidiary gave sentiment a further knock. Thorn fell to a 1985 low of 300p before a technical *few* pence easier of the day at 309p. Plessey dropped 8 to 116p and Cable and Wireless lost 18 to 525p. BICC cheapened 5 to 193p, after 190p, and STC softened 2 to 102p as did GEC, to 162p. Elsewhere, a mixed *trend was evident.* AB Electronics, still reflecting concern about Acorn Computer's future, dropped 10 more to 225p, while Bulgin "A" lost a penny more at 14½p, after 13p, on further consideration of the results. *MicroFocus fell 10 to 190p* and Telecomputing 20 to 350p. Buying on recovery hopes helped Logica rally 9 more to 134p after 137p, while Prestwick found support at 75p, up 3.

Falls among the Engineering *leaders* were *fairly* severe but dealers reported only a minimal amount of selling in a market deprived of support. Vickers, bought last week on rumours of a fresh stake build-up, dropped 12 to 273p, while Hawker gave up 11 at 394p and GKN 10 at 224p. Elsewhere, TI receded 10 to 236 and Whessoe dipped 6 to 94p.

BTR retreat

Miscellaneous industrial leaders fell sharply. Major exporters bore the brunt of the weakness as the dollar wilted and BTR ended 16 down at 325p, after 323p. Reed International fell 22 to 625p, Glaxo eased ½ to £12¾ and Beecham cheapened 5 to 315p, after 312p. BOC lost 6 to 263p and Hanson Trust gave up 3 to 182p; the latter's new 5.75 per cent convertible Preference, issued to ordinary holders by way of rights, closed first-time dealings at a discount, settling at 44½p in 50p-paid form. Elsewhere, British Aerospace came on offer at 335p, down 12, while Christies International declined 7 to 253p on currency influences. Cookson drifted down 13 to 382p and Foseco Minsep reacted 7 to 195p. Pentland, after touching 700p, rallied strongly to finish 25 better at 770p. Vinten added 8 at 120p on further consideration of the results, while revived speculative buying brought gains of 7 in Parkfield, at 91p, and in Unigroup, at 36p. Pacific Sales hardened 3 afresh to 65p and Prestwich put on 5 at 130p.

Renewed worries about export earnings in the light of sterling's current strength prompted marked weakness in Jaguar, finally 11 lower at 256p. Sellers also predominated in USM-quoted Reliant, 5 off at 38p. Components lost ground with Lucas 5 down for a two-day decline of 12 to 303p. Dowty, interim results scheduled for July 24, fell 4 more to a 1985 low of 172p, while Bloemel eased a fraction to 8p following the increased mid-term deficit. Motor Distributors, on the other hand often closed a shade firmer Lex Service, dull recently on concern over its U.S. electronics business, rallied a few pence to 173p, after 175p, while renewed speculative support lifted Hartwells 5 to 65p.

Associated Newspapers have revealed interim profits at the top end of market estimates but the shares, briefly up to 920p soon gave ground and finished a net 20 lower at 890p. Among Paper/Printings, BPCC dipped to a 1985 low of 159p before closing 7 off on balance at 161p, but support was noted for Ireland's Jefferson Smurfit, 7 to the good at 125p.

Properties were featured by a fall of 14 to a 1958 low of 257p in MEPC following news of the group's £112.5m purchase of EPC, with its £220m property portfolio, from Olympia and York, the Canadian concern; MEPC is to pay £30m cash and the rest in a 33m placing of its shares by Morgan Grenfell at 250p per share. Land Securities suffered a sympathetic reaction of 9 to 260p *Elsewhere, Five Oaks* Investments moved up 3½ to 36½p on speculative demand.

Textilesdrifted lowed in subdued trading. Courtaulds, 141p, and Dawson International, 244p, gave up 4 and 6 respectively, while Vantona Viyella eased a couple of pence to 352p awaiting today's interim figures. Coats Patons dipped 3 to 154p, but Carpets International found fresh support and hardened 2 to 57p, after 59p.

Tobaccos turned dull. Imps fell 5 to 180p and Rothmans 4 to a 19845 *low* of 151p; the respective interim and final results are due tomorrow. Bats closed 10 lower at *315p.*

Finaocials provided one of the session's good features in Smith Brothers, the *stockjobbers*, which spurted 15 to a new peak of 140p amid rumours that Robert Fleming was set to take a stake in the company. Elsewhere, further consideration of the sale of its controlling stake in *Telerate* to *Dow Jones left Exco* another 8 off at 192p. The news also unsettled Reuters B which dipped 12 to 303p on competition fears, but British and Commonwealth Shipping advanced 8 to 261p, after 265p, following *Press suggestions* that it could be a possible target for the now cash-rich Exco.

Lasmo down again

Leading oils came under further pressure following reports that the Indonesian Government has proposed an alteration to the terms of offshore drilling coodltions. Although not unduly affected by the changes, LASMO and Ultramar were sold at the outset and LASMO dipped to 250p before rallying to close a net 12 down at 253p. Ultramar fell to 190p but steadied later to end the day 7 off at 193p. The strong rise in sterling against the dollar choked off recent U.S. support of Shell, which settled 12 easier at 688p, and of BP, 5 down at 523p.

Golds weak

The fluctuations in *foreign* exchange markets played a *major* part in determining trends in mining markets. Bullion's firm showing in the U.S. overnight and in London yesterday prompted good support for South African Golds in dollar terms. However, the sharp rise in sterling against the U.S. currency had a major effect of sterling quotations which ended the day with widespread falls. Consequently the Gold Mines index, which is calculated in sterling terms, fell back 10.3 to 405.2—its lowest point since November 24 1982.

Leading Golds were particularly hard hit, especially Randfontein, which ran back £2¾ to £74⅛, Vaal Reefs, £1¾ off at a year's low of £64⅞, and Southvaal £1⅛ cheaper at £30⅛. Lower-priced issues were similarly affected with Blyvoor Areas were 11 down at 256p and Elsburg 9 weaker at 172p.

The latest strong showing by overnight Sydney and Melbourne markets encouraged renewed London buying of Australians, although this was restricted during the afternoon by the sharp rise in the sterling/Australian dollar exchange rate. In Golds, *Gold Mines of Kalgoorlie* put on 7 to 442p, Central Norseman added 5 at 393p and Poseidon settled a couple of pence

Increased demand for Traded Options resulted in 8,378 contracts struck—5,272 *calls* and 3,106 puts. Marks and Spencer recorded 704 calls, 339 in the July 140's, while a lively evenly-balanced business was noted in Land Securities which attracted 395 calls, 345 in the October *300's, and 340 puts.* Interest revived in the short Gilt option with 597 calls transacted, the August 96's and 98's proving most popular with 132 and 292 respective trades.

FINANCIAL TIMES STOCK INDICES

	July 9	July 8	July 5	July 4	July 3	July 2	year ago
Government Secs.	82.55	82.49	82.28	82.07	82.03	81.96	76.47
Fixed Interest	87.33	87.17	86.85	86.85	86.72	86.74	81.55
Ordinary ♥	932.0	951.8	955.7	951.9	942.3	864.3	795.0
Gold Mines	405.2	415.6	410.8	405.7	407.2	406.9	500.1
Ord. Div. Yield	4.85	4.87	4.84	4.86	4.21	4.85	4.99
Earnings, Yld.% (full)	19.35	12.13	12.14	12.18	12.31	12.17	11.58
P/E Ratio (net) (*)	2.22	10.07	10.05	10.03	2.22	10.04	10.38
Total bargains (Est.)	20,462	20,870	16,014	18,469	20,093	21,099	17,697
Equity turnover £m.	—	287.15	371.60	322.68	986.70	359.78	208.46
Equity bargains	—	17,781	16,378	14,812	†10,830	12,108	14,302
Shares traded (ml)	—	134.8	183.7	159.6	156.1	212.6	115.7

♥ 10 am 948.4. 11 am 945.7. Noon 942.3. 1 pm 935.5.
2 pm 934.8. 3 pm 934.0. 4 pm 932.0.
Day's High 951.3. Day's Low 931.7.
Basis 100 Govt. Secs. 15/10/28. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.
Latest Index 01-246 8026.
*Nil=9.56.

HIGHS AND LOWS / S.E. ACTIVITY INDICES

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	82.63 (8/7)	78.02 (21/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.30 (8/7)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1)	228.7 (3/1)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	530.8 (15/4)	400.2 (8/7)	734.7 (15/2/83)	43.0 (26/10/71)

	July 8	July 3
Daily Gilt Edged Bargains	131.1	120.1
Equities Bargains	113.2	106.1
Value	539.9	749.9
5 day Average Gilt Edged Bargains	123.4	120.0
Equities Bargains	108.9	112.0
Value	649.7	658.2

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
July 8	July 19	Oct 10	Oct 21
July 22	Aug 2	Oct 24	Nov 4
Aug 5	Aug 16	Nov 7	Nov 18

For rate indications see end of Share Information Service

Call options were taken out in BSR International, Exco International, Pilkington, Ultramar, Ward Holdings, Combined Technologies, Lennard Oil, Charterhall, Westland, Wayne Kerr, Domino Printing Sciences, Sherwood Computer Services, United Scientific, New London Oil, Racal, "The Times," Veneer, Habit Precision Engineering and Pentland Industries. No puts were reported, but a double option was transacted in West Coast.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	82	7	18
Corpns., Dom. and Foreign Bonds	32	9	41
Industrials	193	386	888
Financial and Props.	48	158	348
Oils	4	58	65
Plantations	0	4	14
Mines	19	68	81
Others	22	136	90
Totals	400	821	1,548

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Assoc Newspapers	890	−20
Barclays	410	−3
Brit Telecom†	169	−1
Debenhams	385	+1
GKN	224	−10
Land Securities	260	−8
LASMO	253	−12
Midland Bank	390	−3
NatWest Bank	708	−7
Pentland Inds	770	+25
Petranol	145	−25
Tarmac	310	+0

† Partly-paid

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
ICI	21	727	−20
Logica	20	125	+20
Thorn EMI	18	312	−4
Exco Intl	14	200	−7
Pentland Inds	14	745	−85
Vinten	14	112	+7
Barclays	13	415	+7
Saatchi	13	640	−30
BAT Inds	11	325	+2
Debenhams	11	384	−3
NatWest Bank	11	710	+7
Abbey Life	10	230	—
BP	10	529	—
Racal Elects	10	134	−2

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues July 9 1985 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Mon July 8 Index No.	Fri July 5 Index No.	Thurs July 4 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (205)	487.97	−1.2	11.50	4.61	10.96	8.31	493.85	494.84	491.10	468.23
2	Building Materials (22)	510.89	+1.5	12.77	5.19	9.66	9.87	503.21	501.85	496.59	421.33
3	Contracting, Construction (29)	769.34	+1.6	13.03	5.36	9.90	16.49	757.04	754.76	743.51	636.97
4	Electricals (14)	1320.70	−1.4	11.88	5.86	10.66	31.50	1339.15	1341.29	1322.45	1508.43
5	Electronics (38)	1266.25	−1.6	11.90	3.84	11.05	15.97	1287.31	1287.30	1266.12	1656.49
6	Mechanical Engineering (62)	279.55	−1.7	11.46	4.99	10.62	5.33	284.25	285.70	285.33	239.44
8	Metals and Metal Forming (7)	186.73	−0.5	13.30	8.32	9.41	5.97	187.60	186.08	185.04	170.64
9	Motors (16)	156.23	−2.4	13.81	5.36	8.99	3.20	160.08	161.34	160.37	121.03
10	Other Industrial Materials (17)	886.57	−3.1	7.87	3.77	15.38	13.40	915.25	922.18	927.89	613.18
21	CONSUMER GROUP (177)	640.53	−1.1	9.96	4.04	12.42	10.21	647.89	649.27	644.19	480.59
22	Brewers and Distillers (23)	610.01	−0.4	11.31	4.58	11.00	8.38	612.24	614.27	607.56	504.43
25	Food Manufacturing (21)	491.95	−0.8	12.18	4.98	10.40	11.49	495.88	499.73	492.78	369.30
26	Food Retailing (14)	1499.57	−1.2	5.84	2.78	22.67	12.87	1518.21	1522.45	1494.50	1112.29
27	Health and Household Products (9)	1009.53	−1.7	6.65	2.93	17.63	10.89	1027.41	1031.75	1030.47	779.12
29	Leisure (22)	606.51	−1.0	9.63	5.39	13.61	13.45	612.42	613.60	622.92	572.0
32	Newspapers, Publishing (12)	1693.30	−1.4	7.85	4.53	16.44	35.22	1716.48	1715.27	1703.32	1306.15
33	Packaging and Paper (13)	325.10	−1.7	10.89	4.58	10.89	6.10	330.83	331.80	328.02	222.89
34	Stores (42)	622.52	−0.5	8.02	3.43	16.87	9.27	625.44	624.41	617.06	406.02
35	Textiles (18)	323.02	−1.5	14.65	4.92	7.75	6.41	327.81	329.86	327.45	253.78
36	Tobaccos (3)	826.70	−3.0	17.95	5.19	6.25	17.44	852.00	849.45	851.52	609.56
41	OTHER GROUPS (101)	642.12	−1.2	10.00	4.36	12.69	10.96	649.60	653.74	647.45	421.54
42	Chemicals (19)	693.98	−2.1	14.83	5.33	8.32	15.37	708.69	722.82	722.25	554.76
44	Office Equipment (4)	170.11	−0.5	7.74	4.94	16.02	3.58	171.04	170.13	167.12	122.20
45	Shipping and Transport (12)	1101.39	+0.3	8.47	4.77	14.45	25.43	1098.21	1199.16	1079.84	801.18
46	Miscellaneous (64)	798.65	−1.1	7.85	3.92	15.51	10.13	807.87	812.66	805.46	589.87
48	Telephone Networks (2)	796.53	−0.9	9.39	4.07	14.23	13.20	804.08	804.08	795.25	0.0
49	INDUSTRIAL GROUP (483)	607.53	−1.2	10.34	4.26	12.10	10.03	614.62	616.61	611.58	472.64
51	Oils (17)	1115.18	−1.5	16.78	7.47	7.33	38.38	1132.54	1138.40	1130.22	1013.46
59	500 SHARE INDEX (500)	650.03	−1.2	11.21	4.70	11.12	12.31	657.96	660.26	654.96	517.99
61	FINANCIAL GROUP (115)	470.32	−0.5	—	5.33	—	9.83	472.91	471.83	467.12	365.04
62	Banks (6)	498.84	−0.9	15.51	6.88	9.21	11.71	503.51	497.81	490.18	349.96
65	Insurance (Life) (9)	729.96	−0.1	—	4.45	—	14.71	730.83	732.38	718.82	473.91
66	Insurance (Composite) (7)	365.85	+0.3	—	5.34	—	8.53	364.88	365.32	362.45	272.65
97	Insurance (Brokers) (7)	1047.06	+0.5	8.96	3.96	14.91	28.10	1041.84	1044.07	1041.80	793.78
68	Merchant Banks (11)	226.93	+0.2	—	4.86	—	4.92	226.52	226.31	226.31	196.19
69	Property (50)	589.14	−1.7	6.36	3.95	21.09	8.46	599.12	598.51	596.65	559.37
70	Other Financial (25)	268.26	−0.4	9.16	6.05	13.33	6.88	269.43	270.65	269.54	234.61
71	Investment Trusts (107)	569.73	−0.5	—	3.82	—	8.89	572.56	571.85	568.48	476.33
81	Mining Finance (3)	265.32	−1.3	12.24	5.77	9.48	5.29	268.92	270.35	265.52	259.89
91	Overseas Traders (15)	625.72	−0.7	12.24	6.35	9.83	20.51	630.20	631.80	627.80	511.43
99	ALL-SHARE INDEX (740)	599.35	−1.1	—	4.79	—	11.52	605.77	607.21	602.13	478.83

	Index No.	Day's Change	Day's High	Day's Low	July 8	July 5	July 4	July 3	July 2	Year ago
FT-SE 100 SHARE INDEX	1239.6	−18.6	1256.7	1239.5	1258.2	1260.8	1249.1	1239.3	1250.8	1014.4

FIXED INTEREST

	PRICE INDICES	Tues July 9	Day's change %	Mon July 8	xd adj. today	xd adj. 1985 to date
	British Government					
1	5 years	118.08	+0.13	117.92	—	6.06
2	5-15 years	130.77	+0.21	130.49	—	7.34
3	Over 15 years	136.42	+0.17	136.19	—	6.87
4	Irredeemables	148.87	—	148.07	—	7.27
5	All stocks	128.90	+0.18	128.68	—	6.91
6	Debentures & Loans	110.18	+0.26	109.90	—	6.06
7	Preference	80.03	−0.07	80.09	—	3.44
	BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8	All stocks	110.99	+0.11	110.87	—	1.34

	AVERAGE GROSS REDEMPTION YIELDS		Tues July 9	Mon July 8	Year ago (approx.)
	British Government				
1	Low	5 years	10.17	10.19	11.57
2	Coupons	15 years	10.43	10.44	11.80
3		25 years	10.18	10.21	10.90
4	Medium	5 years	11.21	11.25	12.73
5	Coupons	15 years	10.73	10.75	12.41
6		25 years	10.60	10.61	12.17
7	High	5 years	11.26	11.31	12.69
8	Coupons	15 years	10.91	10.94	12.17
9		25 years	10.47	10.50	11.39
10	Irredeemables		9.93	9.93	10.74
11	Debs & Loans	5 years	11.77	11.81	13.05
12		15 years	11.61	11.66	12.86
13		25 years	11.45	11.48	12.77
14	Preference		12.33	12.32	13.15
15	Inflation rate	5%	3.62	3.63	3.95
16	Inflation rate	10%	3.44	3.44	3.77

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$320	16	7.80	40	10.60	3	20	$316.60
GOLD C	$340	52	2	12	8	—	—	"
GOLD C	$360	—	—	13	4.60	—	—	"
GOLD P	$300	36	2.8	33	6.60	3	9.30	"
[illegible]								

TOTAL VOLUME IN CONTRACTS: [illegible]

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price p	+or−
[illegible]							
370	F.P.	—	430	382	Taylor Woodrow	436	+15
600	F.P.	—	690	643	Union Discount £1	670	+15

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▌Allotment letters or fully paid. ‖‖ Introduction. ✽ Unlisted Securities Market. § Placing price. ‡‡ Dealt in under Rule 535 (3).

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (58)

BRITISH FUNDS (24)
INT BANK & O'SEAS GOVT STLG ISS (4)
AsianDev 10¼pc 09 Int-AmDev 9¾pc 15
Eurofim 11pc 02 N Zealand 11½pc 14
CORPORATION LOANS (4)
GLC 6¼pc 1990-92 Leeds 13½pc 2006
Herts 6¼pc 1985-87 LCC 5½pc 1985-87
LOANS (1)
Met Water 3pc B
FOREIGN BOND (1)
Iceland 14½pcLn 2016
AMERICANS (1)
CityFed Fin
BANKS (4)
Allgemene Lloyds Bank
Barclays Nat-West Bank
BUILDINGS (5)
French Kier
IDC Sindall (Wm)
Tarmac Tarmac
Mowlem
STORES (1)
Executex Clothes
ENGINEERING (1)
BM
FOODS (1)
Cullen's Hldgs
INDUSTRIALS (5)
Brook St Bureau Pacific Sales
Jacksons B'ne End Parkfield
Ocalld 9pcCnv 87-92
INSURANCE (2)
FAI Insurance Taisho Marine
NEWSPAPERS (1)
Collins (Wm) A
PROPERTY (2)
Five Oaks Invs House From London
TRUSTS (1)
Smith Bros
OILS (1)
Fisherman's Petroleum

NEW LOWS (126)

AMERICANS (15)
CANADIANS (7)
BANKS (2)
BREWERS (1)
BUILDINGS (1)
CHEMICALS (3)
STORES (1)
ELECTRICALS (26)
ENGINEERING (3)
INDUSTRIALS (11)
LEISURE (2)
MOTORS (5)
PAPER (1)
PROPERTY (8)
TEXTILES (1)
TOBACCOS (1)
TRUSTS (11)
OILS (13)
OVERSEAS TRADERS (1)
PLANTATIONS (2)
MINES (14)

LONDON TRADED OPTIONS

Option		Calls Jly.	Calls Oct.	Calls Jan.	Puts Jly.	Puts Oct.	Puts Jan.
B.P. (*523)	460	27	63	—	1	8	—
	500	30	47	60	4	17	20
	550	4	22	33	30	42	48
	600	1	11	20	80	23	87
Cons. Gold (*507)	460	54	67	—	1½	8	—
	500	17	38	60	2	80	20
	550	0	18	30	60	64	60
	600	1	0	12	100	[illegible]	[illegible]
Courtaulds (*141)	130	10	20	24	1	[illegible]	[illegible]
	140	0	10	18	0½	[illegible]	[illegible]
	160	1	6	10	20	[illegible]	[illegible]
Com. Union (*213)	180	38	32	—	1	[illegible]	[illegible]
	200	16	26	35	8	[illegible]	[illegible]
	220	6½	16	24	10	[illegible]	[illegible]
	240	1	9	14	29	[illegible]	[illegible]
G.E.C. (*182)	160	7	12	22	6	[illegible]	[illegible]
	180	2	8	12	22	[illegible]	[illegible]
	200	1	9	9	40	[illegible]	[illegible]
	220	1	1	—	60	[illegible]	[illegible]
[illegible]							

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Lonrho (*157)	160	10	17	20	4	6½	8½
	180	1½	7½	11	16	18	20
	200	1	—	—	36	—	—
P. & O. (*355)	300	60	—	—	2	—	—
	330	32	45	52	4	10	13
	360	14	25	35	16	23	27
	390	4	10	20	40	40	40
[illegible]							

July 9 Total contracts 8,378. Calls 5,272. Puts 3,106
* Underlying security price

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FRANCE | GERMANY | ITALY | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | AUSTRALIA | HONG KONG | AUSTRALIA (continued) | JAPAN | JAPAN (continued) | SINGAPORE | SOUTH AFRICA

Peugeot S.A	372	+0.8
Printempts Au	370	
Radiotech	293	+13
Redoute	1,620	+10
Roussel-Uclaf	1,606	−39
Sefimeg	371	
SkisRossignol	1,370	−39
Telemec Elect	2,625	−18
Thomson CSF	502	−8
Valeo	220.5	−0.8

Robeco	77.2	−0.3
Rodamco	140.9	
Rolinco	70.9	−0.2
Rorento	46.3	−0.1
Royal Dutch	196.2	−3.7
Unilever	361.5	−3.5
VMF Stork	280	
VNU	210	+1.5
Wessanen	185	−9
West Utr Bank	101.8	−0.2

Bond Corp Hldgs	1.35	+0.07
Boral	5.48	+0.01
Bougainville	2.06	+0.04
Brambles Inds	4.9	+0.01
Bridge Oil	2.5	−0.05
B.H. Prop	6.5	−0.04
CRA	9.4	−0.02
CSR	5.02	−0.04
CastlemainPTys.	6.52	+0.02
Coles (G.J.)	3.88	−0.03
Comalco "A"	1.97	+0.02
Consolidated Pet	0.52	
Costain Aust	1.6	
Dunlop Olympic	2.5	+0.02
Elders IXL	3.05	+0.07
Energ Res	1.65	

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Prices at 2.30pm July 9

Sales	Stock	High	Low	Close	Chng
20255	Cl Bk Com	$36⅞	36¾	36¾	−⅛
100	Cdn Nat Res	29	29	29	−1
50961	CTire A I	$10⅜	10¼	10¼	
300	C Util B	$16⅛	19½	18½	+⅛
2200	Cara	$16¼	16	16⅛	−⅜
65	Celanese	$8¼	8¼	8¼	
200	Celan	175	p	619	19
54700	Centrl Tr	$14¾	14¾	14½	+½

Sales	Stock	High	Low	Close	Chng
2400	Hrding A I	165	100	100	−5
170	Hawker	$21¼	21¼	21¼	−⅛
25404	Hayes D	$12	11⅞	12	+⅛
43151	Hees Intl	$21¼	21	21	
5423	H Bay Co	$21¾	21⅞	21¾	+⅜
39654	Imasco	$26⅞	20½	28¾	−⅛
1700	Indal	$19	16	19	+¼
1200	Inglis	017	17	17	

Sales	Stock	High	Low	Close	Chng
650	Provigo	$21½	21¼	21¼	−¼
500	Que Sturg p	365	365	365	
300	Ram Pet	$9¾	9¾	9¾	+¼
1300	Rayrock I	$7⅝	7½	7½	
5200	Redpath	$12½	12¼	12⅜	+⅛
4600	Rd Stenhs A	$21	21	21	
4440	Rogers A	$11⅛	11⅛	11⅛	−¼
600	Roman	$8⅞	5⅝	8⅝	
300	Rothman	$39	39	39	−¼
1728	Sceptre	$5¼	5¼	5¼	+⅛
500	Scotts 1	$26⅝	26½	26½	−¼

Sales	Stock	High	Low	Close	Chng
8088	Woodwd A	$19	19	19	
1200	Yk Bear	$6¼	6⅛	6¼	

Total sales 7,787,148 shares

WE regret latest Montreal prices were not available for this edition due to a communication failure.

Indices

NEW YORK-DOW JONES

	July 9	July 9	July 5	July 4	July 3	July 2	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	1,321.57*	1,328.41	1,334.45	closed	1,328.39	1,334.01	1337.14 (1/7)	1184.96 (4/1)	1337.14 (1/7/85)	41.22 (2/7/32)
Transport	673.46*	677.20	678.96	closed	675.08	673.81	676.08 (1/7)	553.03 (4/1)	672.64 (1/7/85)	12.32 (8/7/32)
Utilities	168.76*	166.65	168.20	closed	165.26	165.52	168.65 (21/6)	148.54 (4/1)	168.85 (21/6/85)	10.5 (28/4/42)
Trading vol		-	82.4m		98.4m	111m	–	–	–	–

	June 28	June 21	June 14	Year Ago (Approx)
Ind Div Yield %	4.69	4.63	4.71	5.08

STANDARD AND POORS

	July 9	July 9	July 5	July 4	July 3	July 2	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	210.30*	211.38	212.27	closed	211.12	211.84	212.47 (1/7)	128.24 (4/1)	212.47 (1/7/85)	3.62 (30/6/32)
Composite	191.13*	191.94	192.52	closed	191.45	192.01	192.43 (1/7)	163.68 (4/1)	192.43 (1/7/85)	4.40 (1/6/32)

	June 19	June 12	June 5	Year Ago (Approx)
Ind div yield %	3.80	3.77	3.71	4.19
Ind. P/E Ratio	11.65	11.54	11.70	10.96
Long Gov Bond Yield	10.22	10.31	10.05	13.61

N.Y.S.E. ALL COMMON

July 9	July 9	July 5	July 4	1985 High	1985 Low
110.81*	111.38	111.87	closed	111.46 (1/7)	94.60 (4/1)

RISES AND FALLS

	July 8	July 5	July 3
Issues traded	2,000	1,985	1,984
Rises	646	1,112	774
Falls	904	382	739
Unchanged	450	471	471

New York Active Stocks

	Stocks Traded	3.00p.m. Price	Change on Day
Am Hosp Sup	1,563,908	39⅞	−½
ATT	1,398,300	23½	−½
Rich Vk	1,102,800	37	+1⅞
IBM	1,053,700	121¼	−2¼
Baxter Lab	1,007,400	15⅝	+½
FPL Group	952,200	27	+¼
Giant Sham	881,800	18⅝	+½
Fla Prog	764,400	28⅞	−⅛
Coca-Cola	754,400	70	−1⅞
Cooper Vis	733,800	24⅛	−⅜

Advances 805 Declines 839

TORONTO	July 9	July 8	July 5	July 4	1985 High	1985 Low
Metals & Minls	1,844.9*	1,871.8*	1,873.6	1,874.56	2198.7 (13/2)	1896.8 (4/1)
Composite	2,734.3*	2,733.0*	2,739.58	2,727.79	2766.1 (5/8)	2348.5 (8/1)
MONTREAL Portfolio	133.93*	134.8*	133.87	133.08	135.56 (5/6)	117.89 (4/1)

* Indicates pre-close figure

	July 8	July 8	July 5	July 4	1985 High	1985 Low
AUSTRALIA						
All ord. (1/1/80)	902.3	897.8	882.4	874.7	904.5 (20/5)	715.3 (7/1)
Metals & Mins. (1/1/80)	528.7	524.9	514.9	511.5	583.8 (20/5)	382.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	97.77	98.05	78.79	100.80	105.73 (17/6)	85.21 (24/1)
BELGIUM						
Brussels SE (1/1/80)	2339.98	2342.31	2347.78	2349.59	2384.12 (5/6)	2088.7 (16/1)
DENMARK						
Copenhagen SE (3/1/83)	n/a	n/a	202.13	200.69	200.86 (3/7)	158.44 (8/1)
FRANCE						
CAC General (31/12/82)	218.5	218.2	219.9	221.5	233.1 (31/5)	180.9 (3/1)
Ind Tendence (28/12/84)	123.0	123.4	124.1	125.5	130.4 (31/5)	100.1 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	492.21	489.71	502.62	498.53	502.62 (5/7)	382.39 (3/1)
Commerzbank (1/12/53)	1448.8	1472.7	1486.2	1475.9	1475.9 (4/7)	1111.9 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1585.04	1586.88	1570.30	1574.37	1647.88 (17/5)	1220.74 (2/1)
ITALY						
Banca Comm. Ital. (1972)	346.01	345.30	343.05	342.08	346.01 (8/7)	228.56 (2/1)
JAPAN						
Nikkei-Dow (16/5/49)	13021.01	13029.65	12963.3	12968.59	13040.10 (8/7)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1055.91	1054.00	1037.12	1036.5	1055.91 (9/7)	919.83 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	218.0	220.9	221.2	219.0	220.9 (8/7)	185.6 (3/1)
ANP-CBS Indust (1970)	183.3	186.5	186.3	184.6	186.5 (8/7)	147.9 (3/1)
NORWAY						
Oslo SE (4/1/83)	323.51	325.12	325.11	324.81	345.87 (3/6)	288.18 (2/1)
SINGAPORE						
Straits Times (1966)	747.45	746.46	753.14	764.38	852.85 (7/3)	764.38 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	-	987.9	986.5	-	1140.8 (15/4)	836.1 (11/2)
JSE Indust (28/9/78)	-	897.5	881.9	-	980.2 (28/6)	787.1 (7/3)
SPAIN						
Madrid SE (28/12/84)	110.85	110.62	108.43	109.63	117.41 (4/2)	101.48 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1285.32	1294.86	1293.43	1307.85	1486.98 (11/2)	1285.32 (9/7)
SWITZERLAND						
Swiss Bank Cpn. (31/12/58)	446.3	489.1	480.3	454.9	489.1 (8/7)	386.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	-	218.4	217.7	-	217.7 (8/7)	184.8 (4/1)

* Indicates pre-close figure ** Saturday June 30 Japan Nikkei Dow 10428.43 TSE 785.67 Base values of all indices are 100 except Australia All Ordinary and Metals – 500 NYSE All Common – 50 Standard and Poors – 101 and Toronto Composite and Metals – 1000 Toronto indices based 1975 and Montreal Portfolio 4/1/83 † Excluding bonds ‡ 400 industrials § 400 industrials plus 40 Utilities Financials and 20 Transports c Closed u. Unavailable

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 33

Stock		Sales (Hnds)	High	Low	Last	Chng
Numrax		30	7⅝	7⅝	7⅝	−¼
Numeric	.86	13	26¾	26¼	26¾	
NutriF		82	9⅝	9¼	9⅝	
RadSys		320	10⅛	9⅞	10	−⅛
RadnT		84	12	11½	11½	−½
Radion		4	7½	7½	7½	
Ragen		67	6½	5⅝	5⅝	
Rainrs	1	260	32	31¼	31¼	−¾
RayEn	.24	2	17	17	17	

LONDON Chief price changes (in pence unless otherwise indicated)

RISES

Tr 14% 1998–01	£121¼	+ ⅜
Logica	134	+ 9
Parkfield	91	+ 7
Redland	286	+10
Smith Bros	140	+15
Tarmac	310	+ 8
Unigroup	36	+ 7

FALLS

A.B. Elect	225	−10
Assoc. News	890	−20
BICC	193	− 5
BTR	325	−16
British Aero	335	−12
Cable & Wire	525	−18
Energy Capital	62	− 8
Exco Int	192	− 8
GKN	224	−10
ICI	710	−17
Imper Group	180	− 5
Jaguar	256	−11
Land Sec	260	− 9
Lasmo	253	−12
MPEC	257	−14
Petranol	145	−25
Plessey	118	− 8
Reed Int	625	−22
Reuters B	303	−12
Shell Trans	683	−12
TI	236	−10
Ultramar	193	− 7
Vickers	273	−12

Prices at 3pm, July 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	18	AAR	.48	2.4	15	19	20¼	20¼	20¼	
17⅞	8¾	AGS			14	221	16⅝	16¼	16½	
16½	5⅝	AMCA				2	10⅞	10⅞	10⅞	
21½	13¾	AMF	.80	3.5	43	3673	15¼	d13¼	14¼	−4⅝
49⅞	24½	AMR			11	5495	49⅝	49	48¼	
22⅞	18⅝	AMR pf2.18		8.7		4	22½	22½	22½	
23	18	ANR pf2.12		11.		5	19½	10½	16½	
14¼	7⅝	APL				38	9⅛	7¾	9⅞	+½
51⅛	44⅜	ASA		24.0		283	20	40¼	49½	−⅜
27	12½	AVX	.32	2.4	11	68	13⅜	12⅛	13⅛	−⅜
28⅛	16	AZP	2.72	8.9	9	525	27⅞	27⅜	27¾	
58⅝	39¾	AbtLab 1.40		2.5	16	x510	58⅞	56¼	50½	−⅛
25⅞	19	AccoWd .50		2.3	17	377	22⅜	22	22⅜	+⅛
24¾	12½	AcmeC .40		2.5		23	16⅛	15⅞	15⅞	−⅛
18	15	AdaEx 1.92e		11.		10	17⅞	17¾	17⅞	+⅛
20	11⅞	AdmMl .32		1.8	7	10	17⅞	17½	17⅝	−⅜
19½	8⅝	AdvSys .53t		4.7	16	77	11¾	11⅜	11⅜	−⅜
41⅛	22⅛	AMD			11	1606	25½	24¾	25	−⅝
12¾	8⅛	Advest .12		1.4		99	9½	8⅝	8½	+½
14⅝	9	Aerflex			14	104	u14⅛	14⅜	14⅞	+½
47	27¼	AetnLf 2.64		5.7	54	1369	46¾	46	46⅜	+¼
57⅜	52⅜	AetL pf5.79e		11.		1606	55¼	54¾	55	
37⅜	18¼	Ahmns 1.20		3.4	14	82	35⅞	35½	35¾	+¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 33

NYSE COMPOSITE PRICES

12 Month High Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Prices | Ch'ge Prev. Close

Continued from Page 32

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng.
19¼	16¾	RusTog .76		4.8	6	28	10⅛	19⅞	19⅛	−⅛
28½	18	RyanH 1		3.7	15	502	27⅝	27	27⅝	+½
29¾	19⅝	Ryder s .60		2.1	18	294	29	28⅝	28⅝	−⅝
26¾	12⅞	Ryland .60		2.7	17	x48	24⅞	24⅝	24¾	+⅛
10⅛	8½	Rymer			6	206	u20⅛	19	19	−¼
13¾	11½	Rymer pf1.17		6.0		x118	u15⅜	15	13	
S S S										
50⅝	35⅞	SCM	2	4.2	13	141	47⅜	47	47⅜	+¼
12½	6⅞	SL Ind	.22	1.8	10	7	12	11⅞	12	+⅛
31¾	19½	SPSTec .80		2.8	15	160	51⅜	31	31	−⅝
26	15	Sabine .04		.3	30	43	15¾	15½	15⅝	
21⅜	19	SabnRyl.59e		15.		x172	17½	17¼	17½	+⅜

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng.
50¾	13⅝	Tonka s .20		.4	8	542	u53	50⅝	31⅛	+1¼
23¾	8¾	Toka wi				2	u26⅝	26⅜	26⅜	
53¾	23⅝	TootRol48b		1.0	14	75	49¼	49⅞	49⅞	
52⅞	20⅞	Trchmk 1		2.1	14	356	49¾	48½	48½	−1¼
17½	18	ToroCo .40		2.7	9	48	13	14¾	14⅞	
4½	1	Tosco				1090	3⅞	5¾	3⅞	
19¼	8¼	Towls				11	10⅞	16¾	10¼	+⅛
41¼	23¼	ToyRU s			28	2462	39¼	57¼	57¼	−2⅛
26¼	17½	Tracr s .32		1.5		468	22	21¾	22	
20¾	8⅛	TWA			76	913	19½	16¾	18¾	−⅛
13¼	12	TWA pf2.25		15.		186	15⅛	13	13⅛	
30⅝	18	TWA pfB2.25		7.5		70	29⅞	29⅝	29⅞	+⅛
32⅜	20⅝	Transml.64		5.5	13	1022	30¾	29⅞	29⅞	−¾
		Wurltzr				56	5	5	5	
18	10⅝	WyleLb .32		2.4	15	17	13¼	16⅛	13⅛	
23⅝	16½	Wynns .80		3.5	7	18	17⅛	17	17	+⅛
X Y Z										
58¼	33¼	Xerox	5	5.8	22	2200	54¼	53⅛	53½	−1
54¾	48⅝	Xerox pf5.45		10.		489	54¾	54⅝	54⅝	+⅛
30¼	24⅝	ZaleCp 1.32		4.8	8	176	27¾	27½	27¾	+⅛
21½	9⅝	Zapata .84		8.3	56	130	10⅛	9⅞	10⅛	+⅛
57⅝	25	Zayre s .48		.8	17	1087	53¾	51½	52	−1¾
58	17⅜	ZenithE			7	1544	18⅛	17¾	17⅞	
21⅛	15¾	Zero s .32		1.7	19	58	18⅝	19	19⅛	
35¼	22¾	Zurnin 1.32		3.9	12	72	54⅛	33⅞	84⅛	

AMEX COMPOSITE PRICES

Prices at 3pm, July 9

Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng.

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock | Sales (Hnds) | High | Low | Last | Chng

[illegible]

Continued on Page 31

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Unease on profits outlook

THE OPENING of the corporate reporting season found Wall Street uneasy yesterday over the outlook for the U.S. economy and thus for company profits, *writes Terry Byland in New York.*

The stock market opened nervously, discouraged by lower bond prices and continuing firmness in federal funds. Renewed weakness in the dollar, while not necessarily bad for company profits, emphasised doubts over the economy. A profit setback for International Paper and a bout of selling of IBM turned the market lower although the broad range of stocks held steady, suggesting that some weakness in corporate results has already been discounted.

At 3pm, the Dow Jones industrial average was down 6.05 at 1,322.38.

The Federal Reserve intervened to help liquidity with $2bn in customer repurchases when the funds rate stood at 7 15/16 per cent. The Fed's intervention – on a relatively large scale – steadied nerves as the market waited for an indication of the progress of the FOMC meeting which opened yesterday. The market has shied away from a federal funds rate above 8 per cent for the past week.

The slide in the dollar affected several sectors of the stock market. International Paper fell $1½ to $47¼, but other paper stocks held steady ahead of their results, partly because a lower dollar will improve the outlook for the rest of the year. Mead, at $41½, was unchanged and Crown Zellerbach added $⅞ to $39½.

IBM shed an early $2⅜ to $120⅞.

The pharmaceutical industry, which finds half its sales in non-dollar markets, moved up. Merck jumped $1⅛ to $113⅞ and Pfizer $¾ to $48⅞. Also in demand again was Upjohn, $1¼ up at $118¼ as Wall Street predicted success for its anti-baldness drug. The weak feature was Squibb, where the prospect of competition from Merck in the hypertension drug sector, lowered the stock by $½ to $67⅞.

Nervousness over Japanese competition and the signs of a domestic price war kept the Detroit auto stocks subdued. General Motors at $70⅛ eased $⅛, while Ford shed $¼ to $43½. Chrysler, which could be vulnerable if times turn hard for the industry, fell $⅜ to $34¼.

Oil stocks remained irregular as New York awaited the outcome of the negotiations among the Opec ministers. Airline stocks, also with a close interest in oil prices, which is the major cost factor in industry balance sheets, also moved narrowly. United added $¼ to $56½.

Others responding to profits statements included Tyco Laboratories, which dropped $2⅜ to $37⅞ after disclosing sharply reduced earnings. Also under fire was Applied Data Research, $3½ down at $28⅜ which forecast a loss for the second quarter.

But brighter spots were CBS, $⅜ higher at $118⅛, with the earnings statement adding a further dimension to the stock buyback plans intended to fight off the unwanted attentions of Mr Ted Turner. The stock price still lags well behind the estimated value of the Turner offer.

Emerson Radio added $¼ to $11¼ after predicting higher profits for the quarter.

Among the banks, Wachovia, the fast-growing regional banker, was unchanged on results at $35⅞. NCB, holding company for North Carolina Bank, added $⅛ to $44¼ after results.

Takeover prospects and similar special situation stocks continued active as the SEC said it would require disclosure of merger talks by companies commenting on stock activity.

The Options Clearing Corporation postponed exercise of all options on stock of AMF after a New York Stock Exchange ruling on trading in the aftermath of the tender offer by Minstar, the Irwin Jacobs investment vehicle.

Minstar said it would buy only its stipulated 12.5m of the 21.3m AMF shares proffered under its $23 a share tender. AMF is resisting Mr Jacobs with a poison pill rights offer, and the NYSE ruled that AMF stock can be traded both as "regular" and "when distributed." AMF stock plunged $4¼ to $14⅜, with the position of stockholders excluded from the Irwin deal somewhat obscure. "They're just stuck," commented Mr Lee Isgur of Paine Webber.

Federal funds remained at 7⅞ per cent despite the Fed's intervention, and other credit market rates edged higher also. In the bond market, prices tried to rally from early falls but eased off again at mid-session. Prices are close to their recent highs, which have proved to be resistance levels, pending further signs of Federal Reserve credit policies.

EUROPE

Erosive forces take hold

PROFIT-TAKERS sprinted from their starting blocks on the European bourses yesterday and by the end of the day had made serious inroads on recent gains. Concern over the U.S. dollar's fall also added to the mood of reappraisal.

The sharp setback that **Frankfurt** experienced on Monday was repeated yesterday with a further 22.9 drop in the midday calculation of the Commerzbank index to 1,449.8.

Car makers weakened also from unease over the dollar's slide below DM 3 and the possible impact that that would have on export earnings. Porsche was DM 20 cheaper at DM 1,445 but VW sustained a proportionally more damaging DM 15.80 fall to DM 318.

In the chemicals sector, BASF fell DM 8.20 to DM 230.50, Bayer lost DM 5.50 to DM 232.50 and Hoechst was DM 8 weaker at DM 236.50. Electricals witnessed Siemens fall DM 10 to DM 572 and AEG weakened DM 6.10 to DM 130.30.

Financials were also caught in the shakeout. Insurer Allianz suffered one of the session's largest falls with a DM 52 drop to DM 1,450 while associate insurer Munich Re was DM 25 off at DM 1,935. Deutsche Bank surrendered DM 12.50 to DM 577.50 and Dresdner Bank lost DM 10.50 to DM 264.

Machine maker KHD declined DM 13 to DM 285 and GHH was DM 8.50 down at DM 164.50.

Bonds eased by up to 20 basis points on the dollar's uncertainty. The Bundesbank, particularly active last week, sold only DM 1.4m in paper against Monday's DM 18.5m sales.

Heavy trading in **Zurich** resulted in widespread profit-taking that started in the banking sector and spread later to industrials. Again the uncertainty over the dollar exchange rate was identified as the trigger to the falls.

Swiss Bank eased SwFr 3 to SwFr 470 while Union Bank dipped SwFr 30 to SwFr 4,320. Schindler suffered a SwFr 20 decline to DM 910 and Pirelli lost SwFr 2 to SwFr 348. Landis & Gyr managed to resist the downturn and traded SwFr 30 higher to SwFr 1,865

Foreign inspired profit-taking combined with bargain hunting to produce lively trading in **Amsterdam.**

Internationals with a broad dollar exposure were sensitive to currency rate movements and left the ANP-CBS General index 2.9 down at 218.0.

Royal Dutch, already vulnerable to possible oil price changes, fell a further Fl 3.70 to Fl 195.20 while Philips continued to lose ground with a Fl 1.40 drop to Fl 49.60.

Océ van der Grinten lost half of its results-inspired gain with an Fl 1 decline to Fl 344, while Van Ommeren edged 10 cents lower to Fl 29.90.

The setback in **Brussels** was more directly attributed to the quarter percentage-point rise in the official discount rate to 9.5 per cent than to currency considerations.

Utility stocks, sensitive to interest rate movements, saw Intercom drop BFr 20 to BFr 2,230 and Ebes surrendered BFr 20 to BFr 1,955. Petrofina's BFr 60 setback to BFr 5,360 was blamed on the Opec pricing marathon and Sidro eased BFr 70 to BFr 1,820 in sympathy.

Active trading diluted the recent bullish trend in **Milan** as the financial community awarded points in the Montedison/BI-Invest drama.

The chemicals group retreated from the 1985 high set on Monday with a L21 fall to L2,029 while the financial/property/industrial group formerly controlled by the Bonomi family spurted L470 higher to L5,800.

Olivetti failed to shrug off recent weakness and fell a fresh L115 to L5,960.

A retreat by overseas buyers left **Paris** lower while **Madrid** achieved more broad gains. **Stockholm** fell sharply. Consafe closed SKr 71 lower at SKr 53 after touching a record low of SKr 48 in early trading.

LONDON

Sentiment split by sterling

STERLING'S strength produced widely varying effects on trading in London yesterday with the gilts and equities markets tracing different courses.

Gilts were sought by local and international investors as the pound continued to gain ground on the U.S. dollar and European currencies.

Longer-dated gilts were half a point higher during the morning. However, the release of banking statistics for June injected an element of caution and most ended with net gains of ⅛.

The pace of selling in equities gained pace during the day and left the FT Ordinary share index down 19.2 at 932.0, its largest one-day fall since February 12 this year.

International stocks suffered as export prospects continued to be adversely affected by currency movements, while further uncertainty about the electronics industry accentuated the market's overall weakness.

The building sector stood strong against the trend, although price movements were small. Reports that the Government may increase spending on roads, bridges and public buildings gave the impetus for the buying.

Chief price changes, Page 31; Details, Page 30; Share information service; Pages 28–29

AUSTRALIA

SUSTAINED buying pushed Sydney close to a record as the market came alive amid heavy trading in Myer Emporium, one of Australia's largest retailers.

Coles, a rival retailer, announced a A$970m takeover offer for the company after the close of trading. The market was anticipating a bid throughout the session and more than 5.8m shares changed hands.

Coles and the Myer family were active buyers and the shares added 2 cents to A$2.80, compared with the A$3 a share cash offer element of the bid.

The sharp rise in the international bullion price also enlivened trading, with gold stocks experiencing renewed support.

The All-ordinaries index added 5.3 to 902.3 while the gold index firmed 17.8 to 869.8.

Among other industrial stocks ACI firmed 11 cents to A$2.76, Adelaide Steamship 10 cents to A$8.50, Bell Group 20 cents to A$7.40 and FAI 20 cents to A$17.20.

The strongest gold stocks included Central Norseman, 24 cents higher at A$7.90, Kidson 10 cents up at A$2.40, Poseidon ahead 10 cents to A$3.60 and Sons of Gwalia up 9 cents to A$2.15.

Leading resource stocks were slightly weaker with BHP reacting to Monday's improvement with a 4 cent decline to A$6.50 while CRA was down 2 cents to A$8.04.

TOKYO

Builders find solid support

CONSTRUCTIONS and financial issues were bought heavily, while biotechnology stocks and export-orientated blue chips came under selling pressure in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average added 32 points in the morning, but closed 8.64 points down at 13,021.01. The stock price index gained 1.90 points to 1,055.91 in the first section, scoring a record high for the sixth consecutive session, reflecting the upsurge of financial stocks.

Trading volume remained high at 894m shares, compared with 890m shares on Monday. Declines led advances 453 to 385, with 130 issues unchanged.

Corporations and institutional investors continued to buy budget-related stocks while selling recent gainers to take immediate profit.

Yamanouchi and other biotechnology issues suffered small-lot sacrifice selling with the approach of the settlement of accounts for their margin buying to take place mainly in August. Electricals and other blue chips remained lacklustre.

Civil engineering, construction, dredging and cement issues remained in the spotlight as investors anticipated government action to stimulate domestic demand.

Obbayashi firmed Y10 to Y357, with the highest turnover of 20.66m shares. Nihon Cement, the third largest with a turnover of 17.57m shares, rose Y30 to Y334, and Sato Kogyo, fourth with 17.18m shares, gained Y20 to Y336. Fujita added Y33 to Y389, Nishimatsu Construction Y43 to Y418, and Tobishima Y14 to Y325.

Non-life insurances gained ground on investor interest in large profits accruing from securities and their low prices relative to city banks and securities.

Tokyo Marine and Fire soared Y37 to Y1,020, regaining the Y1,000 mark for the first time in 32 years. In sympathy, Taisho Marine and Fire gained Y23 to Y690, Yasuda Fire and Marine Y11 to Y653, and Sumitomo Marine and Fire Y14 to Y7891.

Among biotechnology stocks, Yamanouchi plunged Y50 to Y2,900, Kaken Pharmaceutical Y70 to Y2,030, and Kuraray Y40 to Y1,170. Yamanouchi hit a record high of Y4,450 in February this year, reflecting the strong popularity of biotechnology-related stocks.

Fujitsu shed Y30 to Y980, Sony Y80 to Y3,980, Hitachi Y7 to Y710.

Institutional investors began a retreat to the sidelines on the bond market amid growing concern over relatively high prices.

The yield on the 8.8 per cent government bond due in December 1994 rose from 8.385 per cent to 8.390 per cent.

HONG KONG

A LACK of fresh incentives again depressed trading in Hong Kong.

Hongkong Wharf's annual results, expected today, boosted activity in the stock but it closed 5 cents off at HK$6.05 despite expectations of a higher than forecast result.

After being up 4.99 during the mid-morning the Hang Seng index eased progressively to end down 1.64 at 1,565.04 as the buying pressure receded.

Among leading stocks, China Light rose 10 cents to HK$15.40, Hang Seng Bank 50 cents to HK$47 and Hongkong Telephone the same amount to HK$89.50.

SINGAPORE

THE STEADY fall in Singapore during the past week was arrested as modest buying support left prices higher on slightly heavier turnover.

Among industrial and financial stocks, Fraser and Neave added 4 cents to S$5, Haw Par 2 cents to S$2.02, Magnum 8 cents to S$3.30 and UOB 4 cents to S$3.84.

Pahang Consolidated was again actively traded and closed 1 cent higher at 54 cents while Amalgamated Steel was also in demand as it firmed 5 cents to 89 cents.

CANADA

A SLIGHT recovery was staged in Toronto after Monday's sluggish performance, although turnover remained light.

Among the most active stocks, Lumonics traded down C$¼ to C$22¼, Hees International was up C$¼ to C$21¼ and Husky was unchanged at C$9⅞.

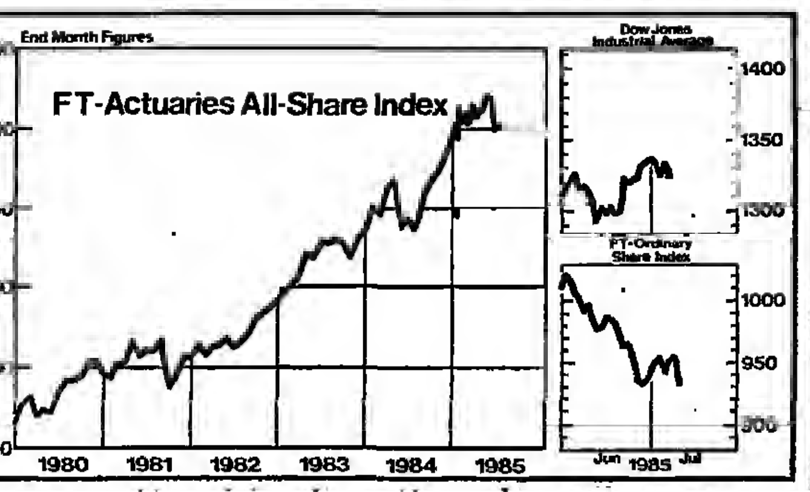
Montreal was also mixed with banks, utilities and industrials marginally ahead.

SOUTH AFRICA

A FIRMER tone developed in Johannesburg as the bullion price displayed continued strength.

Anglo American Gold led leading gold stocks higher, adding R7.50 to R170 while Free State Geduld firmed 25 cents to R49.25. Diamond stock De Beers was also well supported with a 10 cent improvement to R10.65.

KEY MARKET MONITORS



STOCK MARKET INDICES

	July 9	Previous	Year ago
NEW YORK			
DJ Industrials	1,322.36*	1,328.41	1,134.05
DJ Transport	671.70*	677.20	473.66
DJ Utilities	166.85*	166.65	125.82
S&P Composite	191.19*	191.93	153.36
LONDON			
FT Ord	932.0	951.2	793.0
FT-SE 100	1,239.6	1,258.2	1,033.5
FT-A All-share	599.35	605.77	478.83
FT-A 500	650.03	657.96	517.99
FT Gold mines	405.2	415.5	560.1
FT-A Long gilt	10.47	10.51	11.22
TOKYO			
Nikkei-Dow	13,021.01	13,029.65	10,373.2
Tokyo SE	1,055.9	1,054.0	788.44
AUSTRALIA			
All Ord.	902.3	897.0	660.4
Metals & Mins.	528.7	524.9	412.9
AUSTRIA			
Credit Aktien	97.77	98.05	53.83
BELGIUM			
Belgian SE	2,339.99	2,342.31	—
CANADA			
Toronto			
Metals & Minls	1,844.9*	1,868.3	1,814.0
Composite	2,734.3*	2,738.5	2,206.6
Montreal			
Portfolio	133.93*	133.93	107.74
DENMARK			
SE	n/a	205.29	184.56
FRANCE			
CAC Gen	216.5	218.2	169.4
Ind. Tendance	123.0	123.4	90.0
WEST GERMANY			
FAZ-Aktien	492.21	499.71	334.44
Commerzbank	1,449.8	1,472.7	964.4
HONG KONG			
Hang Seng	1,565.04	1,566.68	773.6
ITALY			
Banca Comm.	346.01	345.30	209.15
NETHERLANDS			
ANP-CBS Gen	218.0	220.9	157.0
ANP-CBS Ind	183.3	186.5	127.0
NORWAY			
Oslo SE	323.51	325.12	243.29
SINGAPORE			
Straits Times	747.45	746.45	893.49
SOUTH AFRICA			
JSE Golds	–	987.9	857.8
JSE Industrials	–	997.5	895.9
SPAIN			
Madrid SE	110.85	110.62	90.69
SWEDEN			
J & P	1,285.32	1,294.86	1,479.45
SWITZERLAND			
Swiss Bank Ind	446.3	469.1	383.5
WORLD	July 9	Prev	Year ago
Capital Int'l	218.4	217.7	172.6

GOLD (per ounce)

	July 9	Prev
London	$315.50	$315.25
Zürich	$315.00	$309.50
Paris (fixing)	$317.05	$312.55
Luxembourg	$314.50	$312.75
New York (Aug)	$314.50	$316.60

* Latest available figure

CURRENCIES

	U.S. DOLLAR July 9	U.S. DOLLAR Previous	STERLING July 9	STERLING Previous
(London)				
$	–	–	1.3655	1.345
DM	2.96	2.98	4.04	4.005
Yen	244.2	246.0	333.0	330.5
FFr	9.005	9.0775	12.285	12.23
SwFr	2.4765	2.4995	3.3725	3.355
Guilder	3.333	3.3565	4.55	4.5075
Lira	1,888.5	1,904.0	2,578.0	2,555.5
BFr	59.55	60.15	81.3	81.3
C$	1.3535	1.358	1.849	1.814

INTEREST RATES

	July 9	Prev
Euro-currencies (3-month offered rate)		
£	12½	12 9/16
SwFr	5 5/16	5¼
DM	5 5/16	5⅜
FFr	10½	10½
FT London Interbank fixing (offered rate)		
3-month U.S.$	7 13/16	7 13/16
6-month U.S.$	7⅞	7⅞
U.S. Fed Funds	7⅞*	7 15/16
U.S. 3-month CDs	7.40*	7.40
U.S. 3-month T-bills	6.95*	6.91

U.S BONDS

Treasury	July 9* Price	July 9* Yield	Prev Price	Prev Yield
8½ 1987	99 21/32	8.51	99 21/32	8.51
10⅝ 1992	102 15/32	9.87	102 15/32	9.87
11¼ 1995	107 15/32	10.03	107 15/32	10.03
11¼ 2015	108 23/32	10.03	108 23/32	10.03

Corporate	July 9* Price	July 9* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	101⅜	9.95	101½	10.00
3⅞ July 1990	81⅝	8.575	81⅛	8.625
8⅜ May 2000	85⅞	10.65	85⅝	10.70
Xerox				
10⅜ March 1993	101	10.45	100⅞	10.50
Diamond Shamrock				
10⅜ May 1993	100⅝	10.50	100⅜	10.55
Federated Dept Stores				
10⅞ May 2013	95¾	11.10	95½	11.15
Abbot Lab				
11.80 Feb 2013	104⅞	11.20	104⅝	11.25
Alcoa				
12⅜ Dec 2012	94⅝	11.90	94⅜	11.95

Source: Salomon Bros

FINANCIAL FUTURES

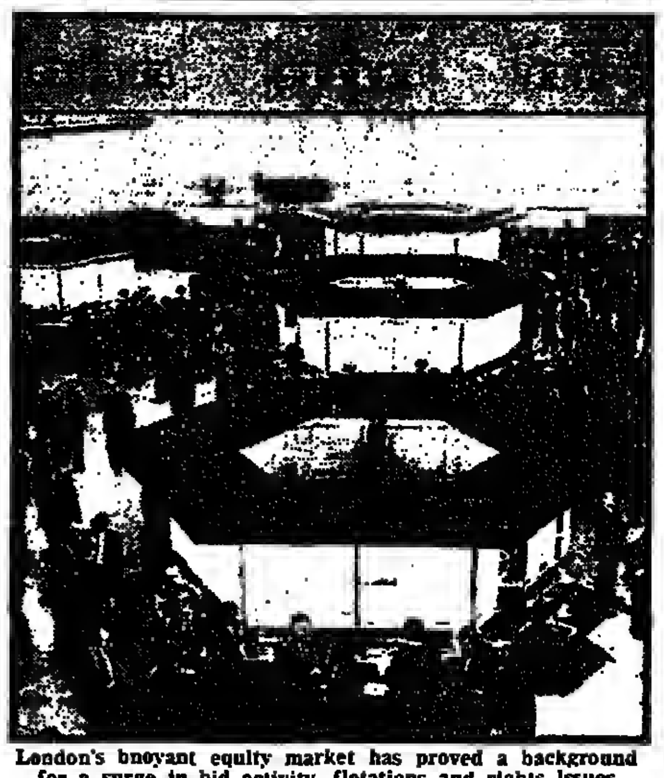
CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	78–18	78–23	77–26	78–10
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	93.11	93.15	93.05	93.14
Certificates of Deposit (IMM) $1m points of 100%				
Sept	92.57	92.61	92.50	92.59
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	92.23	92.28	92.19	92.33
20-year Notional Gilt £50,000 32nds of 100%				
Sept	111–04	111–15	110–30	111–07

COMMODITIES

(London)	July 9	Prev
Silver (spot fixing)	445.55p	445.10p
Copper (cash)	£1,051.50	£1,061.00
Coffee (July)	£1,720.00	£1,794.50
Oil (spot Arabian light)	$26.95	$26.85

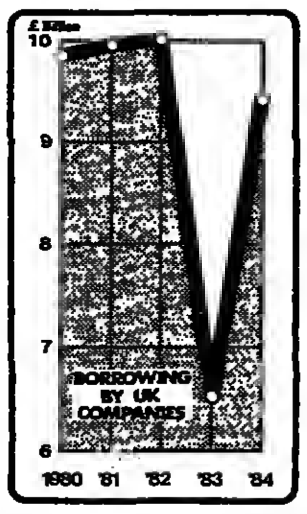
FINANCIAL TIMES SURVEY

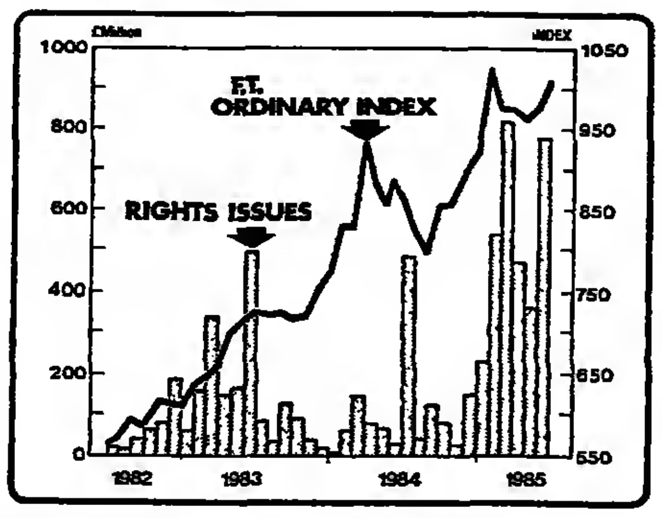
Corporate Finance

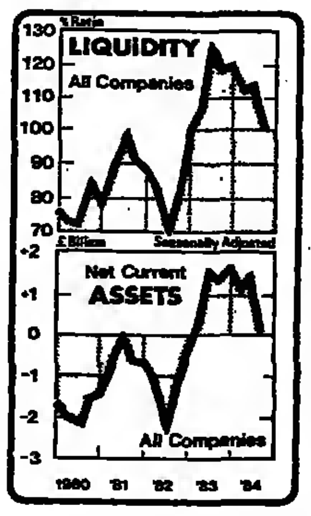


London's buoyant equity market has proved a background for a surge in bid activity, flotations and rights issues

Alongside the continued buoyancy of the UK equity market, take-over activity has jumped to a high level. In the U.S., too, there has been a wave of attacks on large companies by independent corporate raiders.







Fresh burst of capital raising

By BARRY RILEY
Financial Editor

WHETHER OR not the Hanson Trust rights issue turns out to have been the £500m straw that broke the back of the bull market, the past year has been a truly remarkable one for corporate finance exploits.

A buoyant equity market brushed aside a temporary setback last summer and has continued on to new peaks this winter and again in the early summer, so that the FT-Actuaries All-Share Index hit a high point on June 5.

This has provided the receptive background for a remarkable surge of takeover bids, flotations and rights issues, especially in the first six months of the current year. And the new issue queue remains well booked into the future, with the sale of the Government's remaining shareholding in Britoil scheduled as a major issue for later this month.

The British Telecom flotation late last year proved to be something of a watershed for different types of corporate finance activity. Ahead of it, new issue business was damped down and UK industrial and commercial companies raised only about £1.4bn, net of redemptions, on the domestic capital markets.

But meanwhile, takeover activity jumped to a very high level. The Department of Trade and Industry has calculated that total UK spending on domestic acquisitions jumped from £2.3bn to £5.2bn in 1984.

Two quarters of the year each recorded aggregate spending in excess of the total for the whole of 1981, a quiet year when spending on takeovers amounted to only some £1.1bn. And in January-March 1985, merger and acquisition spending hit a further new quarterly peak of £1.98bn.

Paradoxical

With the BT issue successfully launched, new issue activity has in turn also surged ahead in the early part of 1985. Major private sector flotations have included Abbey Life and Christian Salvesen, while a string of major companies such as STC and Tesco have made big rights issues. In all, capital issues reached £2.5bn in just the first five months of the year, with a lot more to come.

In a sense, such a burst of capital raising is a little paradoxical, because company profits have been extremely buoyant, typically rising by around 25 per cent last year. Cash flow has been extremely strong, which again makes it surprising that companies should have been heavy borrowers from banks, to the tune of £7bn or more in 1984.

Official figures show that industrial and commercial companies ran a remarkable surplus of £9.5bn last year. But there is an element of mystery about these statistics, because as much as £10bn disappeared down a statistical "black hole" in the company sector accounts.

To an extent, companies have been tapping the capital market in the past few months partly because of the opportunity to fund on a basis which offers short-term savings.

During the winter interest rates shot up, and although a modest reduction has subsequently taken place, few are optimistic that a really substantial fall in money rates is in the offing. In the circumstances, rights issues on the basis of an immediate yield of 5 or 6 per cent on the new money promise at least a temporary cut in outgoings.

Bond rates, on the other hand, remain daunting to most corporate treasurers and for all the attempts in official quarters to stimulate corporate bond issues on the domestic market, these remain at a very low level.

The best explanation, however, for the recent burst of corporate finance activity is probably that it reflects a greater willingness on the part of British companies to take strategic decisions about the future.

For much of the early 1980s many companies were obsessed with the problems of coping with the recession. But since about 1983, managements have been largely free to devote their attention to much more positive questions.

A surge in fixed investment is one response, which partly reflects increasing opportunities in more buoyant economic conditions. It also follows corporation tax changes which give companies an incentive to accelerate spending in order to maximise the benefit of capital allowances before they are run down to 25 per cent in 1986-87.

But additionally, many are looking at opportunities to improve their companies' spread of activity, both industrially and geographically. The bid by Guinness for Arthur Bell is a good example. Such ventures are normally better received in a bull market, when investors are inclined to take a more optimistic view.

Meanwhile, the sheer pace of industrial change is forcing radical decisions. There is no better example of this than the electrical sector, which sailed through the recession in remarkably good shape but is now threatened by technological change and by deregulation of the telecommunications industry.

Acquisitions

Thus both STC and Thorn-EMI have made controversial acquisitions and consequential big rights issues within the past year or so, though without convincing their shareholders of the wisdom of such decisions. Both have suffered slumps in their share prices, and Thorn's chairman has been forced to resign.

And strategic reviews may dictate disposals as well as acquisitions, especially if high values can be realised on the equity market. The sell-off of Abbey Life by the U.S. conglomerate ITT is a case in point.

One other kind of transaction can be mentioned, the "crown jewels" type of purchase by wealthy foreigners, for whom the strength of the dollar in the past year or so has often brought a jump in purchasing power. The acquisition of Sotheby's by Mr Alfred Taubman and the purchase of House of Fraser by the Al-Fayed brothers are good examples.

But such buyers are only interested in businesses with a touch of international glamour, not in run-of-the-mill engineering companies.

The various types of deals have different effects on the stock market. Rights issues suck money out of the investment institutions, but cash bids such as for House of Fraser pump liquidity into the market and can fuel a new buying spree.

Takeovers paid for largely with paper do not change the overall pattern of liquidity, but may cause investors to juggle their positions subsequently, to realise their profits.

The Hanson Trust rights issue has confused and upset the market because it does not know where the cash will eventually go. If Hanson raises cash from investors and uses it to buy British companies the eventual impact on the UK equity market will, in theory, be neutral.

In the short run, in fact, the effect would be likely to be positive as speculators searched around for the likely victim of

CONTINUED ON PAGE 2

IN THIS SURVEY

Traditional business not forgotten

Merchant Banks

ALEXANDER NICOLL

AS MERCHANT banks restructure themselves in advance of the City revolution, and in particular to cope with the coming explosion in their securities trading capabilities, they have not been forgetting their bread-and-butter business of giving advice to corporate clients.

Indeed, the reformation of London securities markets and the growing internationalisation of the City is making it all the more imperative that they pay attention to their traditional business.

No longer can merchant banks count on maintaing cosy relstionships with corporate customers. The more aggressive UK banks, as well as U.S. investment banks, now constantly knock at the doors of UK companies — whether clients or not —with ideas for mergers, acquisitions, disposals, money-raising, or just flotation.

Clearly, most of these ideas will be rejected by finanre directors who prefer to stick with their tried and trusted advisers. But they naturally want to feel that their merchant bank is still giving them enough time.

In particular, up-and-coming banks are putting increasing effort ino targetting young companies before they come to market and then growing with them through scquisitions.

Mr Richard Fortin (right), head of corporate finance at Lloyds Merchant Bank, sees a "soft underbelly" of medium-sized companies which have not been sufficiently active in deal-making or fund-raising to get full attention from their established advisers.

Mr Richard Fortin, who heads corporate finance at the newly-formed Lloyds Merchant Bank, also sees a "soft underbelly" of medium-sized companies which have not been sufficiently active in deal-making or fund-raising to get full attention from their established advisers.

Others have attempted to find specialist niches. Schroders, for example, is among those to have a specialist energy team. County Bank has played s major role in the spate of corporate activity among investment trusts, and Robert Fleming—Chinese walls notwithstanding — is focusing on the electronics field in which it makes a market outside the Stock Exchange.

As the tables show, however, all the jockeying for position in the new City has not so far threatened the dominant banks with the greatest financial muscle. The past year has been one for headline-grabbing by the major merchant banks on an unprecedented scale.

Kleinwort Benson stole the show through its leading role in the public launch of British Telecom, the biggest ever flotation, accompanied by a huge and successful advertising campaign to attract small investors.

The BT flotation—claimed by Kleinwort's fellow underwriters as well — dominstes our table but another feature is the appearance of Hambros Bank and Hill Samuel, both of which missed out last year. Lazard Brothers, though not sppearing, has carved out a role advising the Government in privatisation issues.

And in a year of unprecedented takeover activity, Morgan Grenfell and S. G. Warburg have reasserted their position at the top of the form. Morgan claims involvement in an astonishing 66 deals in 1984. These include many of the biggest and most bitterly contested bids, in which it often found itself pitted against Warburg — which was involved in 38 deals.

Lazard, Kleinwort, N. M. Rothschild and Samuel Montagu all report respectable increases in takeover business in line with the rise in the overall level of activity, and notable improvements are recorded by Hambros Bank and County Bank.

Hill Samuel handled virtually the same number of deals, but they were worth less, while Schroders reported a decline which has been counterbalanced by healthy business so far this year.

Last year showed an overall decline in rights issue business which seems to be being reversed in 1985. There is still a steady stream of flotations, including some large ones, and major privatisations such as British Gas and British Airways are still to come.

Equally, takeover business remains hectic — though some prophets argue that the remarkable numoer of successful defences so far this year could indicate that the peak has come.

In preparing for the future, each bank has placed a different emphasis in forming a new structure, in effect gsmbling on what will be the formula for success. Some, such as Warburg and Kleinwort, are attempting to set up U.S.-style investment banks through purchases of brokers and jobbers. Schroders is attempting to grow its own and Lazards has mode no purchases.

It is not yet clear whether the ability to trade and distribute shares — acquired by buying Stock Exchange members—will significantly enhance merchant banks' ability to do straightforward corporate finance work.

On the face of it, the ability to take securities on the books as part of corporate deals and quickly to find a home for them would seem likely to improve a bank's chances of getting and keeping clients, and of doing so profitably.

But those which have not taken this route argue that they already have and will retain proven underwriting capacity to back corporate finance activity, and that they will still be able to get securities distributed as stockbrokers, just one, Cazenove, they do now. (Of the major has chosen to remain independent). They would also argue that they can claim to be offering better independent advice by concentrating on that as s specialisation without potential conflicts of interest.

Many merchant banks already have considerable experience of international deal-making practices, demanding nimble feet and heavy commitments, through their activities in the Euromarkets.

Crucial to this debate will be the treatment of a British sacred principle: the pre-emption rights of a company's existing shareholders. Last year a spate of large vendor placings, in which new shares are distributed among institutions without existing holders getting an option on them, met sharp criticism.

Many in the UK feel that shareholders should not be diluted in this way. Although companies can get a better price for their shares through vender placings, the discount in a rights issue is unimportant, they feel, because it is a discoount on shareholders' own money—they are being offered cheap shares before outsiders get a chance.

In the U.S. there are no such principles, and consequently the "bought deal" flourishes—where a securities house wins a mandate to issue shares for a company, buys the issue, and then distributes it.

The outcome of the debate is likely to be determined by institutional shareholders and finance directors as much as by the City practitioners. But it will crucially affect whether the configurations chosen by merchant banks will be successful.

Merchant Bank Corporate Finance Activities

TAKEOVERS AND MERGERS Ranking	Bank	1984 No.	Value (£m)	1983 No.	Value (£m)
1	Morgan Grenfell & Co.	66	3,443.4	39	2,737.4
2	S. G. Warburg & Co.	38	2,805.2	21	1,453.2
3	Lazard Brothers & Co.	28	2,072.1	10	1,116.7
4	Kleinwort, Benson	48	1,325.0	37	951.7
5	N. M. Rothschild & Sons	17	1,050.0	21	868.6
6	Samuel Montagu & Co.	37	927.4	34	600.1
7	Hambros Bank	16	893.7	3	14.9
8	County Bank	47	860.4	30	168.9
9	Hill Samuel†	22	834.0	21	1,375.0
10	J. Henry Schroder Wagg & Co.	25	874.7	38	1,198.3
FLOTATIONS					
1	Kleinwort, Benson	17	5,094.92	9	326.9
2	Morgan Grenfell & Co.	29	4,987.5	12	884.1
3	S. G. Warburg & Co.	6	4,721.1	7	892.0
4	J. Henry Schroder Wagg & Co.	17	4,640.9	15	930.2
5	Hambros Bank	9	359.6	6	28.2
6	Hill Samuel†	10	359.0	5	30.0
7	Samuel Montagu	10	303.5	11	102.8
8	Charterhouse Japhet	9	142.8	2	70.9
9	N. M. Rothschild & Sons	3	138.0	6	60.0
10	Robert Fleming	6	136.4	6	101.9
RIGHTS ISSUES					
1	County Bank	7	296.5	9	14.6
2	J. Henry Schroder Wagg & Co.	6	209.0	8	161.0
3	Hambros Bank	5	181.8	8	53.4
4	S. G. Warburg & Co.	5	168.1	4	62.6
5	Kleinwort, Benson	10	164.7	12	300.9
6	Hill Samuel†	12	158.0	6	302.0
7	Morgan Grenfell & Co.	8	111.8	21	664.4
8	Lazard Brothers & Co.	4*	111.7	4	61.6
9	N. M. Rothschild & Co.	3	72.0	5	279.0
10	Barclays Merchant Bank	2	54.2	4	31.89

* Includes two vendor placing totalling £44.4m. † Years ending March 1985 and March 1984.

A surge in corporate borrowing

Commercial Banks

GEORGE GRAHAM

BRITISH COMPANIES are borrowing more from their banks, but the banks do not know why.

Bank borrowing by industrial and commercial companies sank swiftly from £6.6bn in 1982 to only £1.4bn in 1983. Last year, however, it recovered to £7.2bn. Manufacturing industry alone has increased its outstanding bank loans and advances by more than £5bn.

The increase is perplexing at a time when many of the larger companies are flush with cash, both from profitable trading and from rights issues. "The growth in corporate lending is an enigma," says Mr Robert Medlam, who heads the corporate banking division at Lloyds Bank. "The figures certainly do not mirror the facilities that are being afforded to the major corporations."

Mr Paul Borrett, general manager of the corporate division at Barclays Bank, points to three reasons for the recent surge: the normal tax season, reinforced by accelerated payments of Value Added Tax; increased investment expenditure, which shows up both in bank borrowing and in leasing finance: and a certain amount of bill arbitrage, or round-tripping.

Commercial bankers are uncertain of the extent of this practice, where companies borrow by issuing commercial bills, and then lend the money on in the money markets at a profit. But they suggest that it may be more widespread than the Bank of England appears to believe, despite its recent steps to curb the practice.

They see it as a sign of the increasing sophistication of corporate treasurers that they are taking advantage of this opportunity to make a profit from their financial activities.

"Ten years ago, the number of companies with s recognisable treasury operation could be counted on the fingers of one hand," says Mr Borrett of Barclays. "Now there is an Association of Corporate Treasurers with six or seven hundred members."

As a result, the corporate banking divisions of the commercial banks have adapted to offer a cocktail of banking services, covering credit, cash management and foreign exchange. They speak less of their traditional loan activity than of the treasury management services they offer.

The process is led by technology, which not only requires new skills of the corporate treasuries, but also creates the new services that they can call on.

Companies can take advantage of more sophisticated electronic treasury management systems, which allow them to monitor their cash balances and make sterling and foreign currency transactions directly.

This increasing sophistication has led to the creation of a variety of new forms of funding such as note issuance facilities —where a group of banks agrees to buy or underwrite a borrower's short-term notes up to a specified amount, as and when required

The UK commercial banks have participated in these, often in conjunction with their merchant banking divisions. National Westminster, for example, works closely with its subsidiary County Bank, which has established a strong position in the Euronote market.

Note issuance facilities may have joined the mainstream—part securities, part commercial banking — but they have not destroyed more conventional forms of financing. "The vast majority of corporations still use traditional methods of funding," commented one UK clearing bank official. "The new instruments have not spread into the middle market."

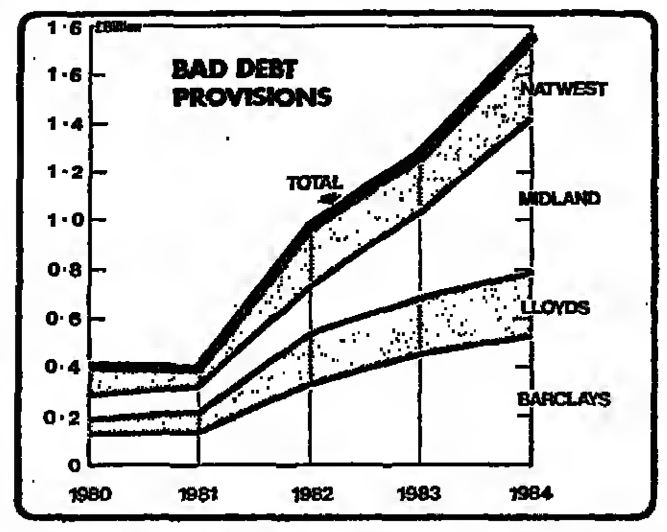
Nor have the new securitised instruments eaten too deeply into the commercial banks' loan volume. "We have seen mostly prime names on note issuance facilities so far," says Mr Borrett at Barclays. "For most companies of that size the alternative is equity."

The retail banks still account for more than two thirds of the £103bn advances to the UK private sector, and have even gained ground over the past year from the accepting houses and other British banks.

They show some disdain, however, for "transactional banking"—bidding for each new deal that crops up, rather than maintaining a long-term relationship with a customer.

"There is nothing very difficult about offering a few basis points below the other fellow," said one clearer. "There is always a maverick around who will do something at a lower price."

International competition holds few fears, then, despite the arrival of more and more overseas banks in the London market. In the words of Mr Borrett: "If one more pub opens in Burton on Trent, when you have got 80 already, it does not make much difference to the competition."



Big demand for equity funds

New Issues

STEFAN WAGSTYL

UK companies are making unprecedented demands on the funds of the London stock market.

Young and old, they are taking advantage of the persistent strength of the equity market to raise more money than ever before.

So far this year, £3.3bn has been raised in rights issues, against £1.5bn in the whole of last year. And new companies coming to the market have attracted £0.6bn—double the funds raised in the whole of 1984.

Moreover, investors have been prepared to stump up all this cash despite the competing attractions of the latest stage of the Government's privatisation programme, which has drawn £1.56m so far (1984—£2.5bn), including the sale of shares in British Aerospace and the second instalment of payments for British Telecom.

Indeed, including vendor placings and new issues on the Unlisted Securties Market, the demand for equity funds this year has already reached £6bn, way ahead of last year's total of £4.8bn.

And there is no sign of this demand subsiding. In the last month, for example, the heavily-oversubscribed £243m flotation of Abbey Life attracted some £4.7m from investors.

The over-riding explanation for all this fund-raising is simply the strength of the equity market in which shares continue to trade at record levels, allowing companies to attract new cash more cheaply than ever.

"Buoyant markets have a habit of encouraging fresh equity supply and this hardy old bull market is proving no exception to the rule," says Mr Kenneth Inglis, of stockbroker Phillips and Drew.

But, if some companies have been criticised for being opportunistic in raising money for which they can demonstrate little immediate need, the corporate sector as a whole can support its demands with some impressive statistics.

Total profits of companies in the FT Actuaries Index grew by some 23 per cent last year and are forecast to increase by a further 15 per cent or so this year. Taking into account both capital appreciation and increased dividends, the annual rate of return on UK equities last year was 31.6 per cent, against 10.2 per cent on cash deposits.

Little wonder then that Phillips and Drew expects that UK institutions will this year devote some 40 per cent of their cash flow to equities, against an average of 20 per cent for 1983 and 1984.

However, not all issues are equal in the eyes of the City. While the stock market has been keen on most of the equity offered there have been some notable exceptions.

Investors acepted with good grace Barclay's Bank's £513m gross rights issue in May, agreeing that the bank's need to strengthen its capital base was clear. The fund-raising had in any case been widely expected.

By contrast an even larger issue last month from Hanson Trust—£519m gross—went far less smoothly, with shareholders taking up less than 50 per cent of the issue.

The City, used to seeing Hanson issue shares to fund specific acquisitions, was rather reluctant to put up such a large sum of money without seeing where it would be spent.

Investors were even more unhappy about the £168m rights issue from Standard Telephones and Cables in February. While the issue was pulled off without recourse to the underwriters, the shares, offered at 190p now trade near 110p. The City was disappointed with STC's 1984 performance and indications that 1985 would be little better. In particular it is concerned about the effect of last year's £411m purchase of ICL, the computer company.

STC has also suffered from the general antipathy in the City to high-technology companies, whose shares have been left behind by the stock market's overall advance.

This caution has not spared new issues in the sector. Stockbrokers active in sponsoring new issues say that there are as many high-technology companies wanting to come to market as a year ago, but stock market conditions mean that some flotations have been delayed.

The City has become more selective than it was last year about backing those high-technology companies that do take the plunge. For example, Prestwick Holdings, brought to the market in April with a capitalisation of £20m, now stands at s 28 per cent discount to the 100p issue price.

Nevertheless, this year's flow of new issues has been little short of last year's record levels — with 21 new companies arriving on the main market by the end of May, against 34 for the same period last year. The Unlisted Securities Market has welcomed 37 new issues, compared with 40.

In most cases, the main reason for coming to market is the desire by the owners to realise at least part of their stake in the business, taking advantage of tha stock market's strength.

Among other motives, the need for fresh capital for the business is usually less common than a wish to use the company's newly-quoted paper to fund acquisitions.

Also an increasing number of smaller companies have come to believe that a stock market quotation will enhance their status in dealing with suppliers and customers.

An example of the mix of reasons bringing s company to market is Christian Salvesen, floated last month with a market capitalisation of £315m. The Edinburgh-based group, with interests in food processing and distribution, house building, marine and industrial services, raised £21m to help fund its heavy capital investment programme and said it wanted to have the chance to pay for future acquisitions with paper.

But the immediate motive behind the flotation was the wish of a major shareholder, the Church of Scotland, to realise its investment, worth some £16m, in order to diversify its portfolio.

Fresh burst of capital raising

CONTINUED FROM PAGE 1

Hanson's planned raid.

However, if the cash is used to fund an American or other overseas purchase, any boost will be enjoyed on Wall Street or some other foreign market, and the London market will suffer.

If you want to be Machiavellian, of course, you could argue that it is in Hanson's interest to put UK investors off the scent. For somebody with cash, the lower share prices are the better; but when paper is being used as the bid currency the overall level of the market does not matter so much, although generally it is true that bull market conditions are favourable to the mergers and acquisitions business.

That all this activity will create a lasting benefit has yet to be proved, however. Imperial Group is in the process of unwinding its controversial 1980 acquisition of the U.S. hotels and restaurants chain Howard Johnson—which proved to be something of a test case of the attitude of institutional shareholders to conglomerate-style acquisitions, although shareholder opposition at the time was not on a sufficient scale to block the deal.

There is a basic conflict between the objectives of shareholders, who typically want to see a range of clearly defined companies in various specialised sectors and markets, and of company managements which want to reduce risk, usually through diversification.

If shareholders in Imperial Group had wanted to buy shares in Howard Johnson they could have done so at a significantly lower price than Imps paid. Similarly, shareholders in Guinness do not need that company to buy shares in Arthur Bell on their behalf, especially as Guiness is having to offer a substantial bid premium.

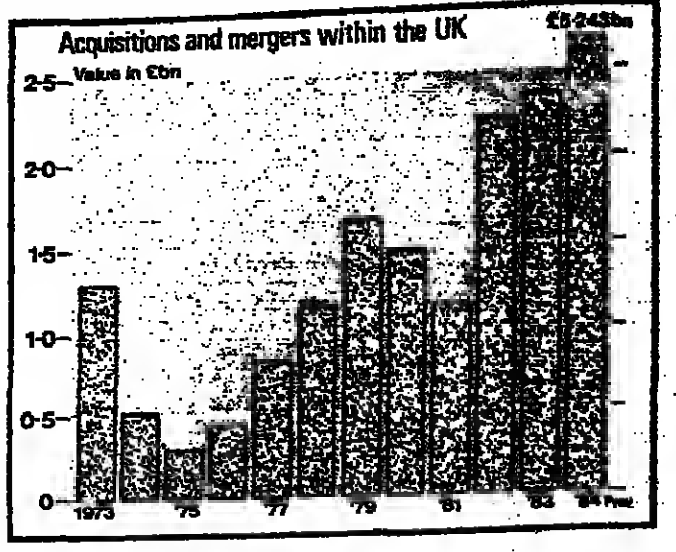
The test, perhaps, will be whether companies can successfully manage the assets they are acquiring, within the context of an integrated business structure, or whether they will effectively only be portfolio investors, thus usurping the role of existing shareholders. Can acquisitions-minded managements actually add value to the enlarged groups?

In the U.S. there has been a wave of attacks on large, established companies by independent corporate raiders, on the grounds that managements are reducing rather than enhancing the value of the businesses under their control.

So far there have only been isolated examples in the UK of the kind of hive-offs, management buyouts and capital reductions which beleaguered U.S. managements have used to protect themselves from the predators.

But amidst the takeover boom, it could be that the seeds are being sown of a quite different future trend in corporate finance.

Boom tests the ingenuity of advisers



Takeovers

MARTIN DICKSON

BRITAIN is going through a takeover boom that is testing the ingenuity of corporate finance advisers as never before, and placing increasingly onerous demands on the Takeover Panel, the City body that referees hid hatlles.

The value of UK mergers and acquisitions soared last year to a record £5.2bn, compared to £2.3bn in 1983 and £2.2bn the year before, according to Department of Trade statistics. A total of 507 acquisitions were made hy 444 companies, against 447 and 391 respectively in 1983.

And the boom shows no sign of abating, with this year already producing much takeover drama. After an acrimonious struggle, BTR finally won Dunlop's agreement to a £101m merger. House of Fraser, the department stores group, was acquired by the Egyptian Al-Fayed family in a £615m hid from under the nose of Lonrho; more recently, Burton and Habitat-Mothercare launched a bid for Debenhams and Guinness did the same for Arthur Bell, the whisky group.

Several factors lie behind this takeover wave. Companies have emerged from recession leaner and fitter, and with strengthened balance aheets. Profits, retained earnings and liquidity have been rising, while long-term borrowings bave declined.

In addition, companies have found themselves able to contemplate acquisitions more readily after several years of retrenchment, while buoyant share prices have helped them in issuing paper ta back bids.

Increased takeover activity, however, has been accompanied by tougher tactics on the part of City financial advisers and increasing attempts by them to enlist the support of the Takeover Panel.

Sir Jasper Hollom, the Panel's chairman, gave the merchant banks a rap over the knuckles recently when he complained that "ever sharpening competition" among takeover practitioners was making a small numher of them push the Panel for support "some way heyond the limits of the reasonable."

Many appeals to the Panel are not considered worthy of action, though last Decemher lt did issue a strongly worded warning about inaccurata or misleading graphs and diagrams being used in takeover circulars.

It complained about graphs being used to illustrate totally unsuitable suhjects, the use of different scales on supposedly comparative data and other distortions through the selective use of statistics.

The Panel has also been taking e comprehensive look at its takeover rules — a task that has occupied it for more than 18 months — and in April it finally gave hirth to a new edition of the Takeover Code.

The main aim was to simplify and clarify the presentation of the code, which over the years had become a remarkably cumbersome accretion of general principles, rules, detailed practice notes and amendments which, in the words of one analyst, "made comprehending what is allowed, and what is not, ahout as straightforward as deciphering the Dead Sea scrolls."

But in improving the code's presentation, the panel also took the opportunity to make the most substantial changes for several years in the rule book.

The aim was to promote greater fairness in takeover battles and eliminate rules which had proved impracticable or had distorted the market in shares.

In particular, the changes reduced the opportunities for particularly aggressive tactics by predator companies, and for quick profits by arbitrageurs — speculators dealing in the shares of target companies.

Yet to be decided is the future of the Panel itself under the new regulatory framework introduced as part of tha "City revolution."

The Government's recent White Paper on the financial services industry held out an offer of legislative support, if it was felt this would be helpful. However, the Panel is keen to remain a voluntary body, with its self-regulatory framework preserved.

The argument goes that statutory backing would restrict its flexibility. And to help maintain its independence, the Panel has been considering charging hidding companies for its services.

The attitude of tha Government to the increased tempo of take-over activity has largely been to let the companies get on with it.

Last summer Mr Norman Tebbit, the Trade and Industry Secretary, decided against any major change in the guidelines determining which mergers should be referred to the Monopolies and Mergers Commission for investigation, despite criticism that the rules were confusing.

However, be did make lt clear that the policy in future would be to make references to the commission "primarily on competition grounds." He also donbled to £30m the asset threshold et which a bid becomes liable to Monopolies Commission investigation. This was expected to reduce the number of mergers which would qualify for investigation from 200 to 150 a year.

But since the ultimate decision on referring a bid rests with tha Minister, and is thus in part a matter of political judgment, there will, inevitably, continue to be controversy over individual rulings.

In recent months, nona has been more contentious than Mr Tebbitt's decision not to refer the Al-Fayeds bid for House of Fraser.

The decision was roundly attacked by Lonrho, whose seven-year battle to acquire control of the stores group had twice been referred to the Commission.

In 1981, the Commission found that a Lonrho-Fraser merger might be expected to operate against the public interest. But in another judgment—only delivered after the launch of the Al-Fayed bid—the Commission changed tack and gave Lonrho the green light, though too late for the group to launch an effective counter-hid.

Since no two takeovers are the same, drawing any broad conclusions about changing patterns is hazardous in the extreme. Nevertheless, two developments over the past six months are at least worthy of note.

One is the introduction into Britain of the management buy-out as a defensive strategy for a target company. Haden, the engineering company, managed to put together a £55.8m buy-out, backed by City and U.S. institutional investors, that saw off a hostile £37.2m bid for the company from Trafalgar House.

Buy-outs have long been used as a defensive strategy in the U.S., but the Haden deal was Britain's first. It is expceted to set a pattern others will follow, though only a limited number of takeovers are likely to create the necessary circumstances for a successful package.

The other development is the curiously large number of contested bids which have either failed, or have only succeeded after gaining the backing of the target company's board, usually for a higher offer. Failures inclnde Bunzl for Brammer, London and Midland Industrials for Allied Textiles, Entrad for Tootal, Dee for Booker McConnell and Hanson Trust for Powell Duffryn.

This could be mere coincidence. On the other hand, it might represent a change in the balance of takeover battles. On the one side, predators are likely to be more careful in a mature bull market about the prices they are prepared to pay for acquisitions. On the other, defending companies may have grown more adept at presenting their cases to institutional investors.

Urgent priority for Government

Privatisation

STEFAN WAGSTYL

PRIVATISATION IS once again one of the most urgent priorities on the Government's political timetable.

Any sense that the programme might run out of steam after the flotation last Novemher of British Telecom has evaporated following the announcement in May of plans to float British Gas.

By selling off 100 per cent of British Gas, the Government could raise £8bn, far exceediog the £4bn heing raised from tha sale of half of BT, and more than compensating for the delays aurrounding the £1hn intended privatisation of British Airways.

Moreover, while these giant sales dominete the political imagination, the Government is busy with a series of smaller, though still substantial, disposals—in May it sold its remaining interest in British Aerospace; and by the end of the summer it plans to bave sold its 48.8 per cent outstanding stake in Britoil.

Two events influence the present phase of the privatisation more than any other—one is the next General Elaction which will relentlessly increase the pressure on tha Government (and on its advisers) to make sure not only that sales are successful but that they are seen to be successful hy the voters.

The other event is the British Telecom issue, which has transformed the scale of the privatisation programme both in financial and in political terms.

● Without the £4bn BT flotation, which is raising as much money as all tha previous privatisations put together, it would bave heen difficult for the Government to meet its informal target of making £2.5bn a year from public asset sales.

● The issue was an important test of several financial innovations which are likely to figure prominently in future sales—for example, the pre-placing of 55 per cent of the issue, used to give the public offer for sale a bead start, by securing institutional commitments to purchase this proportion of shares. This method was employed again in the sales of shares in British Aerospace in May.

● The Government has been able to make great political capital ont of the fact that BT attracted soma 2.2m investors, many of them buying shares for the first time. It was, for ministers, important proof that privatisation could achieve the aim of promoting wider share ownership.

Within days of the issue, Mr John Moore, Financial Secretary to the Treasury, said: "Tbe BT sale has created a new army of capitalists . . . It has revealed the strength of the UK retail market for shares in a way that could not have been imagined a year ego."

It is significant how this objective has emerged as probably the most important element of privatisation policy. Previously, ministers had emphasised that their two main aims were promoting competition and *increasing* the *efficiency* of nationalised industries: it is now clear that these objectives bave been rather overshadowed, in the wake of the BT flotation, by the desire to promote wider share ownership.

The City has responded to this political objective in various ways—devising the mini-prospectus to help private investors; promoting road-shows and setting up regional co-ordinators among stockbrokers to take flotations to investors in the provinces.

Marketing varies from one issue to another—British Gas, like BT, is likely to be aimed at all investors, including those who bave never bought shares hefore. Both stocks are seen as safe investments with predictable profits growth. But Britoil, like BAe earlier this year, is to be directed towards "sophisticated investors," or experienced buyers of shares, since these companies operate in more volatile markets.

But it is the price which is the ultimate determinant of the success of an issue, as the Government has previously learnt to its cost.

Runaway stock market successes, such as the flotation of the high-technology company Amersham Internatiooal in 1982, bring accusation that public assets are being sold too cheaply.

Nor did Lahour and Alliance politicians spare the Government over the BT issue, when the shares leapt to a 34.6 per cent premium on the first day of dealings.

Cooversely, market failure provokes the City's wrath—notably in the Britoil flotation of 1982, wben 75 per cent of stock was left with the underwriters, because the shares were seen as too expensive.

More recently, ministers were criticised in the City over last year's flotation of Enterprise Oil, when the Government hlocked an attempt hy the mining group Rio Tinto-Zinc to buv half the newly-privatised company. Instead underwriters again hed to take the shares.

Tha next Government issue—tha sale of the remaining stake in Britoil—provides another tricky test for its financial advisers, in this case Lazard Brothers.

As with the first Britoil sale and with Enterprise Oil, the issue is being mede against a difficult background in world oil markets. Also it will not help that the current stock market price of Britoil shares is within a few pence of their original 215p issua price.

In the casa of British Gas, N. M. Rothschild, the *Government's financial* adviser, *and* Kleinwort Benson, acting for the corporation, are only beginning to get to grips with the issue.

As with BT, one of the first problems to be tackled will be the need to strike a balance between imposing a regulatory framework to prevent any abuse of the corporation's monopoly position and giving British Gas enough freedom to operate as an attractive commercial proposition.

Other issues in the privetisation pipeline also pose considarable difficulties for the Government and its financiel advisers. The sale *of British Airways*, originally due this year and now expected in early 1986, can hardly go ahead until attempts to settle the Laker dispute are resolved.

And the sale of the Royal Ordnance Factories, which could go ahead next year, awaits the success of efforts to hring several separate factories into a coherent whole.

The Government does however have room for manoeuvre. If gaps emerga in its timetabla then tbey can be filled—most easily by bringing forward sales of outstanding stakes in companies which are already on the stock market—notably British Petroleum and BT.

The sale of half of British Telecom raised £4bn

Government timetable for public sector asset sales

	Date	Cash to be raised
Britoil	1985	£500m*
British Airways	1985-86	£1bn
British Telecom	April 1986	£1.2bn†
Br. Shipbuilders' warship yards	1986	——
Royal Ordnance Factories	Mid-1986	£350m
National Bus Company	1986	£200m+
British Gas	1986	£8bn‡
Short Brothers	1986	——
British Airports Anthority	1987?	£500m
Thames Water Anthority	1987?	£1bn
Asset sales under discussion:		
British Telecom	Remaining 49.8%	£7bn
British Petroleum	31.7% stake	£3bn
BL	Unipart	——
Crown Agents	——	——

* 48.8 per cent stake. † Final tranche. ‡ In tranches.

Surge of regrouping to meet new roles

City Revolution

TERRY GARRETT

THE SECURITIES market has been plunged into a whirlpool of change because of the Government's pressure on the Stock Exchange to abandon its scale of fixed commissions which were seen to be operating against the public interest.

Next year, fixed commissions will be abolished and the "big bang" will have been reached. To cope with the new structure many of the market's member firms have come to the conclusion that it will be impossible to survive with the strict separation of broker and jobber—the agent and market maker. So throughout the last 18 months there has been a frantic surge of regrouping in the City with brokers and jobbers embracing banks and each other in order to gain the capital that will enable them to finance their new dual capacity roles.

The change and, perhaps more significantly, the pace of change is causing some concern, however, even within those firms that have regrouped. Inevitably there are doubts about the ultimate success of all the new players who are shaping up to tackle the market.

It was clear by the way that some groups immediately withdraw from the approved list of makers in government stocks, that they feared the number of entrants was simply too great to allow profitable trading.

If the new financial conglomerates are expressing more than the occasional doubt, investors and corporate clients are voicing their concern over the inevitable conflicts of interest which must arise when so many traditionally diverse activities come under one roof with the aim of producing a profit for a single enterprise.

Of course the City has always been riddled with conflicts of interest—brokers with corporate finance departments, merchant banks trying to solve the problems of corporate clients or structuring a bid when the fund management division is holding stock are obvious examples. In fairness, the City has proven itself able to cope with these conflicts without damage to either investors or corporate clients.

Yet the new groups may intensify the conflicts and clients are right to feel concern at whether the Chinese walls will stand the strain. Right now firms throughout the City are trying to erect walls that cannot be scaled and no less importantly, to convince their clients that those walls will remain effective.

Suspicion outside of the Square Mile seems unavoidable. Perhaps large internationally orientated corporate clients, who are old hands at dealing with fully integrated investment banks offering a full range of services as well as acting as market makers, will have no problem. After all, London has been the odd-man out for years in clinging to single capacity roles. But smaller companies less well versed with markets in the U.S. or Japan, may well feel disturbed by what is happening in the City, especially as they, as end users, were barely consulted about the sweeping changes

Jonathan Cohen, deputy chief executive of County Bank, the National Westminster subsidiary, which has tied knots with broker Fielding, Newson-Smith and jobber Bisgood Bishop, understands the disquiet but attributes much of it to emotional non-informed concern caused by a lack of familiarity. However, he and his colleagues are well aware of the importance of displaying how well they can cope with the conflicts. "We will adopt a sunshine policy," meaning that the lid will be off leaving its operations fully exposed to the scrutiny of clients.

All the firms, whether banks, brokers or jobbers have their own rules of conduct but with the spate of amalgamations many are now beavering away to produce detailed manuals which will be the bible for all the employees. These manuals will be available to clients so that they can see exactly how their corporate advisors should be acting in any given situation.

Some groups will be going a step further by appointing full-time compliance officers to police the activities of the group. Such appointments are fairly common in the U.S. but a relatively new concept in the UK. Schroder Wagg, which has tackled the City revolution by starting its own market making business with a new firm (at the moment still limited to international stocks) is appointing a senior director to act as compliance officer with wide ranging powers.

In an effort to be seen as ultra clean, Schroders has already removed its investment division from the main Cheapside head office replacing Chinese walls with strips of tarmac and pavement. While convinced that his group's rules of conduct will be more than adequate Win Bischoff, Schroders' group chief executive, admits that he still believes the traditional method of keeping market-making outside other City activities was the cleanest way to avoid conflicts, even if the commissions were high.

He also fears that some in the City are trying to do too much to quick and that eventually something could go wrong that will result in greater legal regulation of the City's activities.

Inevitably the City revolution has polarised thinking. David Scholey, deputy chairman of Mercury Securities, which is the umbrella for merchant bank S. G. Warburg, broker Rowe and Pitmanand two firms of jobbers Mullens and Akroyd & Smithers, is largely dismissive of the problems of conflict.

He recognises that clients are raising the question but believes that the City has been copying with possible conflicts for so long, that while the addition of market-making to the other activities might multiply the danger spots, a rigid code of conduct and close monitoring throughout all departments can overcome the problems.

David Scholey might find an argument from Ian Fraser, the chairman of Lazard, one of the merchant banks that is sticking firmly to its last eschewing any inclination to buy brokers or jobbers. Ian Fraser is doubtful of the merit of some of the latest mergers and questions what exactly the banks are getting for the substantial cheques they are writing out. "I won't pay large sums that will reduce our banking assets to buy goodwill."

By standing aside from the current melee, he argues, his bank will retain freedom of action. It sounds as if Lazard believes it can enter the game later at a better price when some of the current contestants will be regretting their actions.

Meantime, Ian Fraesr remains convinced that Lazard will attract business away from the new amalgamations because as an independent the potential conflicts of interest are that much smaller. "Clients who come to us will have no trouble deciding which side of the table we are sitting."

It will be clients, of course, that ultimately decide whether they want the independents such as Lazard and broker Cazenove or the all-embracing houses such as County or Mercury.

PROFILE: TRAFALGAR HOUSE

Advisers that stay

TRAFALGAR HOUSE, which has grown from its foundation in the mid-1950s to a huge property, shipping and engineering conglomerate, has tended to stay with the professional advisers who served it in its early days.

Mr Eric Parker, Trafalgar's chief executive, points out that when Touche Ross did the company's first audits the fee was around £50. Last year Trafalgar's audit fees totalled £1.26m.

It is, says Mr Parker, an example of why professional advisers should pay attention to every client, be they big or small.

Mr Parker, an accountant by training, is a former finance director of Trafalgar House and as such retains very strong personal links with the City. (He recently became a director of Touche Remnant.)

He says that Trafalgar's need for professional advice has changed as it has grown. When the company was very small it used its financial advisers a great deal. Then came a middle period when it was able to do quite a considerable amount of acquisition and disposal work on its own.

Its growth beyond this stage coincided with "the advent of the more complex rules relating to "takeovers and the buying and selling of shares." That has tended to make us more reliant on our professional advisers," he said.

Trafalgar's merchant bank since the beginning has been Kleinwort Benson. Mr Parker says personal relationships are important—Trafalgar is advised by John Nelson—as is a willingness by the advisers to work "all sorts of unsocial hours."

Trafalgar's brokers are L. Messel, who have been with the group since the start, as has Barclays as a commercial bank. "Barclays has been very important to us over the years, and we tend to use the bank when we can," Mr Parker says.

As it has grown in size, Trafalgar has found it has had increasingly to switch advisers on specific deals because of difficulties when interests conflict. Mr Parker believes these problems are likely to be increased by the realignments now taking place in the City revolution.

Forceful approach by companies

Hedging

ALEXANDER NICOLL

A CORPORATE treasurer's tenet might seem so obvious as to be scarcely worth enunciating: "My job is to provide the lowest cost of funds to enable the company to manage its business."

But how to interpret it? No longer is it satisfactory to arrange overdraft and loan facilities from your friendly bank manager, hedge long-term currency exposure in the forward foreign exchange market, and head off for a round of golf.

The man thus defining his role is Mr Gareth Jones, treasurer of Redland, the UK building materials group with a spread of international interests, notably in West Germany and Australia. With about £100m of net debt to manage, Mr Jones is in the vanguard of UK corporate treasurers now taking a more aggressive approach to their cost reduction role.

At the extreme, some companies, such as BP, are even going to the extent of setting up their own in-house banks, initially to centralise in-house needs, but perhaps eventually to offer financial services to outsiders. Most companies, however, will steer clear of this route.

The means to more active liability management is provided by an ever-mushrooming range of financial hedging instruments such as futures and options. On the international capital markets, meanwhile, leading investment banks are continuing to display extraordinary innovations in helping borrowers to get the best out of more traditional borrowing methods.

Redland this year raised £28m to repay some of its floating rate debt by issuing £60m of zero coupon sterling-denominated ten-year notes. But Mr Jones's activities go far beyond that. He is a frequent user of currency swaps. He trades currency options on the Philadelphia Stock Exchange, and interest rate options on the Chicago Mercantile Exchange.

Traditionalists might be horrified but Mr Jones insists that "you've got to be clear that your role is to limit the company's financial risk . . . Our shareholders have invested in a building materials company, not a financial services company."

How then can corporate treasurers use modern international markets to improve liability and cash management without gambling away shareholders' money?

The forward foreign exchange market has for long existed as the basic method for companies to cover currency exposure. London is its focal point, and many banks are experienced in it. Currency swaps have also played a part in that market for a long time, but their use has been expanding amid an upsurge of swap activity in capital markets.

Treasurers may, for example, look for opportunities to borrow at rates below the "natural" level of borrowing costs in a particular currency. Then they swap the proceeds into the currency they actually require. Many have used the U.S. commercial paper market, in which it may be possible to borrow more cheaply than from banks, in this way.

Beyond this, there are a wealth of methods with which to hedge against the unrelenting volatility of currency and interest rates. The major banks now offer packages including cash management systems which will help to take the strain off treasurers and enable them constantly to monitor positions, balances and debts.

The bank products combine a range of instruments which can be used directly by trading through brokers on a variety of exchanges.

Currency futures, traded on Chicago's International Monetary Market, a division of the Chicago Mercantile Exchange, offer a tradable hedging method with the need to put up margins, but not to arrange the credit lines necessary for operating in the forward exchange market.

Among other exchanges offering currency futures is the London International Financial Futures Exchange (Liffe), though only one of these contracts, sterling, has achieved significant volume.

Market liquidity is important because it enables participants to trade in and out of the market and obtain a fine price at any time without causing a sharp price movement.

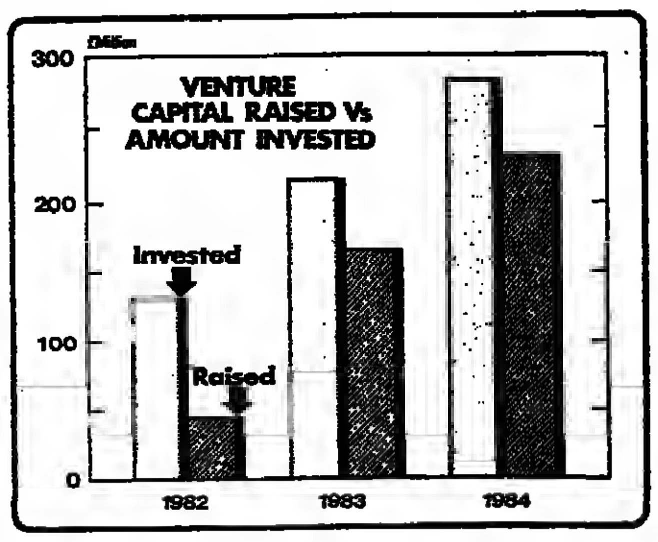
Interest rate futures, based on government debt instruments and key interest rates such as Eurodollar rates, have also flourished on both sides of the Atlantic, though particularly in the U.S. But they cater mainly to banks and portfolio managers, as well as to other speculators who contribute vitally to a successful market's liquidity, rather than to corporate needs.

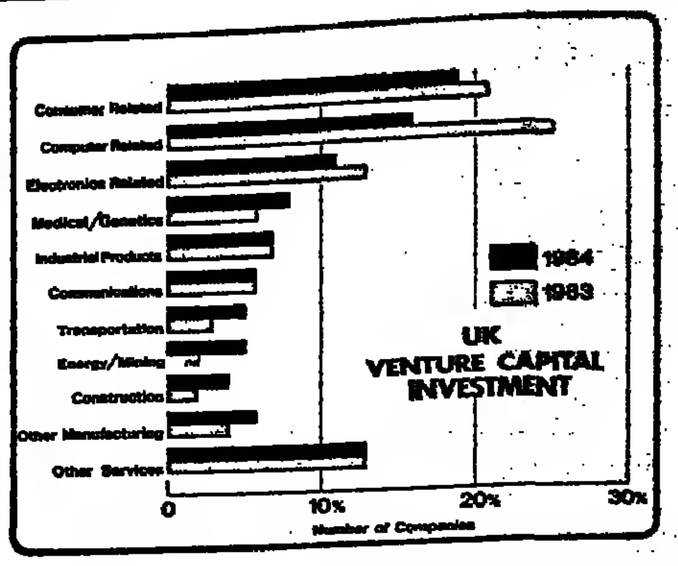
A much more promising means to hedge, however, is provided by options. These have developed through two channels in the currency market—offered by banks and exchanges—and are just emerging as a means to hedge interest rate exposure.

A currency option provides the right, but not the obligation, to buy or sell a fixed amount of a given currency at a specified rate at any time before the expiry date. A September $1.30 call on the London Stock Exchange, for example, provides the right to buy £12,500 in exchange for dollars at $1.30 between the time of purchase and the option's expiry in September. The seller, or writer, has the obligation to deliver the £12,500 if called upon to do so.

"Tailor-made" currency options are provided by banks, while standardised tradable options were pioneered by the Philadelphia Stock Exchange and are now the subject of a fierce battle between the London Stock Exchange and Liffe.

Various exchanges including the London Stock Exchange offer options on debt instruments and the CME has just introduced a short-term eurodollar option.





Government attacks red tape

Small Companies

WILLIAM DAWKINS

THE GOVERNMENT is placing an increasingly high priority on being seen to support the small business sector, which it views as an important part of its battle to tackle unemployment.

Its small business policies have at the same time changed emphasis over the past two years away from offering financial support and towards improving the edvice available to entrepreneurs while reducing the hurdens of official red tape which it fears is unnecessarily restricting the growth of many young ventures.

The most important examples of the Government's financial support measures are the Business Expansion Scheme (BES), which offers tax breaks to investors in unquoted companies, the Loan Guarantee Scheme (LGS), whereby the Government guarantees 70 per cent of a small business bank loan and the Enterprise Allowance Scheme (EAS), which offers a £40 per week subsidy to people starting their own ventures.

Whitehall's growing concern that the small businessman's life should be made less complicated found expression in the Department of Trade and Industry's report in March on administrative burdens, which is now being considered by Lord Young, Minister without Portfolio but with special responsibility for job creation.

The report's far reaching recommendations were greeted by small business lobby groups with a mixture of relief and scepticism over whether they would *lead* to any practical results. Lord Young's suggestions are due to come out later this month.

Among the proposals he is considering are: the abandonment of statutory audit requirements for shareholder-managed companies and a reduction in the prescribed content of company accounts; simplified Pay As You Earn and National Insurance calculations; and the removal of more small businesses from tha Value Added Tax net.

The burdens report also calls for a streamlining of planning controls and e crackdown on ill-founded complaints in unfeir dismissal cases.

The DTI has recently attempted to improve the advice it offers to small companias by reorganising its Small Firms' Service to enable it to give more specialist help.

The counselling service, which has doubled in size over the past two years to include more than 260 advisers, will increasingly concentrate on practical specialist subjects like finance, marketing and production.

Whitehall is also considering whether to step up its financial backing to the UK's more than 200 local enterprise egencies; private and public sector partnerships devotad to giving advice and assistance to entrepreneurs.

Meanwhile, the BES, the most radical and widely publicised of the Government's financial support measures, is undergoing scrutiny by Peat, Marwick, the accountancy firm which has been commissioned by the Inland Revenue to review the scheme.

The BES has certainly been a success in terms of the amount of cash it has raised — £100m was invested under the scheme in the 1983-84 tax year, according to the Treasury — and in providing an important stimulus to the growth of the venture capital industry in general.

Yet it is uncertain whether the scheme is providing a genuinely additional source of equity for small business or merely replacing more expensive kinds of funding; a question which Peat, Marwick hopes to answer when it publishes its report in the autumn.

The scheme, which provisionally runs until April 1987, has also been exploited in ways

Lord Young, Minister without Portfolio but with special responsibilities for job creation

which its creators never intended. It has been widely criticised for attracting too many large asset-backed ventures, and not enough genuinely job-creating ventures.

Farming companies had to be barred from the BES in the 1984 Budget and last March, the Chancellor closed the door to property developers, which raised almost £50m in the 1984-85 tax year. That compares with the £43m estimated by UK Venture Capital Journal to have been raised in the same period by BES funds, normally the most popular kind of investment under the scheme.

BES funds accounted for just over a fifth of the £284m invested by the entire British venture capital industry in the last calendar year.

The four-year-old LGS has had an even more chequered history, and many observers now believe that its future must be open to question. It was initially designed to be self-financing and to guarantee 80 per cent of an approved bank loan under £75,000, in return for a 3 per cent premium over the bank's own interest charge.

Mounting losses — the DTI had received £85.6m of claims by early this year—forced the Government last June to reduce its guarantee to 70 per cent and lift the premium to 5 per cent of the guaranteed amount.

Not surprisingly, the demand for LGS loans has since dropped sharply, from a peak of 500 to 550 applications per month in the scheme's early years to less than 150 per month.

The EAS has been much more of a success. It helped 66,000 people into self employment in the 18 months since its nationwide establishment in August, 1983, after local trials, end is budgeted to attract another 180,000 people over the next three years.

Entry rules for the EAS ere tough: applicants must be able to stump up at least £1,000 and have been jobless or under notice of redundancy for 13 weeks or more.

It is perhaps because of that strictness that those who have taken advantage of the allowances have shown an encouragingly high survival rate.

A study of the trial scheme showed that 80 per cent of the participants were still in business six months after their allowances (which last for a year) ran out.

That suggests a far better performance than the DTI's overall national estimate that e third of all VAT registered start-ups fall in their first three years.

New issues almost as brisk as ever

Unlisted Securities Market

LUCY KELLAWAY

IT HAS almost become a cliche to say that tha Unlisted Securities Market has been a raging success during its four and a half year existence. And yet it cannot be denied that the junior market has served its purpose admirably, and has become the single most important source of equity capital for small companies.

Tha USM was set up in response to concern — well aired in the Wilson Committee's interim report in 1978 — that the number of companies seeking a listing on the Stock Exchange was dwindling. Indeed, in the late seventies en average of only one company a month was coming to the market.

Much of the blama was attributed to the regulations and dizzy costs of a full listing, which it was argued put off small- and medium-sized companies from seeking a listing. The response was a junior market with looser rules and lower costs.

In less than five years, 376 companies have taken this route to get a quotation for their shares and together have raised a total of £666m at the time of flotation. By the middle of June this year only 6 of those companies have been withdrawn — e low failure rate by anyone's standards. Forty-five bed moved up to the main market, and a further 22 companies had been taken over. Not including the four companies whose shares are currently suspended that leaves 297 companies now being quoted on the market.

The USM's regulatory framework was designed to satisfy two partly conflicting aims: it had to he lax enough to entice smaller companies to come to the market, and yet to he tight enough to protect the interest of shareholders.

The agreed entry requirements for the USM differ in two important ways from the main market. First, the owners are able to hold on to the bulk of their shares, and only need float a minimum of 10 rather than 25 per cent of tha company. Secondly, a company can come to the market with only three rather than five yaars trading experience, although if it has been going for five years it must provide a five year history.

Tha costs of e flotation on tha USM are also lower than on the main market, but are still a major expense for a small company, which could expect to pay around £150,000 for e placing and about £300,000 for an offer for sale.

Getting a full listing would typically cost about twice that amount, although as a proportion of the amount raised, the charges are much tha same. The initial and ennual fees payable to the Stock Exchange for the USM companies are lower too, and instead of having to pey for two newspaper advertisements of the full prospectus, they need only place one box advertisement.

However, much of the cost of joining tha USM is intangible, measured in terms of the large amount of management time and effort involved in grooming a company for market; a process that generally takes between three and six months.

Despite frequent grumbles about costs, there seems to be no shortage of new companies wishing to join. The pace of new issues is almost as brisk as ever, with 37 new companies coming to the USM in the first five months of this year compared to 40 for tha same period of 1984.

The incentive for the company is not too difficult to understand. It is not merely that a quotation gives it credibility among its customers and suppliers, or that it provides a cheaper source of finance, makes acquisitions easier, and so on. It also has the capability to make millionaires of tha company's owners.

On paper, at least, the USM has created 385 millionaires. However, tha number who have actually realised their fortunes by selling their stakes is fairly small, as this is a practice frowned on by investors who are more inclined to back an issue where the money is being used to finance growth.

Investors in USM companies may have rather more reason to gripe about the market than the companies which have used it to such effect. While picking the right company can undoubtedly result in spectacular profits — anyone who bought Body Shop shares at the initial price of 95p could have sold out last month at 850p to make e return of nearly 900 per cent in just over e year — there have been many others thet heve done badly, and the USM as a whole has tended to underperform tha big industrial companies on the main market.

The problem for small investors, and even to a certain extent for larger ones, is information. Because there are so many small and diverse companies on the USM, many of tham are scarcely followed at all.

Too often the only source of information about a company is the sponsoring broker, which clearly has a vested interest in presenting the company in its best light.

This problem is exacerbated by the fact that the shares tend not to be very marketable, especially if the issue is small.

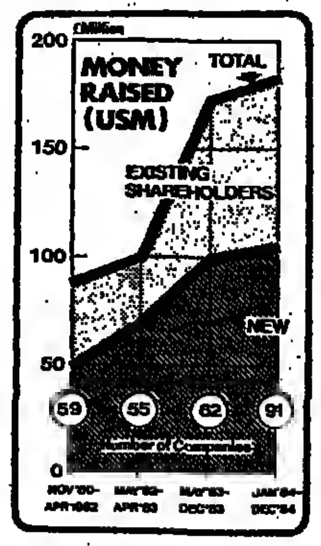
When a company comes to market it attracts a fair amount of attention from the press and in the City. On the day that dealings begin the market is active in shares, which tend quickly to find firm hands. Dealings can then dry up altogether.

This makes the price alarmingly volatile, and prone to very sharp movements should tha company surprise investors by making an unanticipated announcement.

This problem will never go away altogether. Although the market's success has meant that an increasing number of stockbrokers and newspapers are concentrating on the USM, the number of companies joining makes comprehensive coverage impossible.

The USM was clearly never meant to be a stagnant pond, in which small companies arrived and stayed, but a natural stepping stone to a full listing as soon as e company was ready to graduate.

The entry requirements for tha main market, laid down in the "Yellow Book," which came into effect at the beginning of this year have been criticised for partially blocking the way by making it more complex and more expensive for USM companies to graduate.



Such concern has apparently been borne out by the numbers. So far this year only two companies bave moved up to the main market.

But this may be partly because many companies intending to move up did so last year, when 10 of them dashed to beat the January 1 deadline.

Tha Yallow Book fears may have been overdone: the two companies who have graduated this year did so fairly effortlessly, although the fees were slightly higher as the amount of information required is greater than previously.

The area in which the USM has least reason to be proud is its record on attracting start-up companies to market. Companies are allowed to come to the USM with no trading record at all, so long as they have a properly researched project behind them. Only 12 such ventures have been floated on the USM, the hulk of them oil exploration companies many of which have consistenly disappointed investors by making a continuous stream of losses. Few of the other "greenfields" have managed to keep their share prica above the price at which the shares were issued.

The USM has become an important market for the City's issuing houses, brokers, solicitors and accountants. For them bringing USM companies to market means more than merely securing a fee. In fact, the eponsors frequently claim they make very little out of bringing small companies to market, and that fees scarcely cover costs.

Often the incentiva is to develop a relationship with a company, which, although small today, could he a blue chip of tomorrow.

Corporate Finance 7

Market unlikely to recover

Corporate Bonds

MAGGIE URRY

THE UK corporate bond markat has been virtually dead sioce the early 1970s. Attempts to revive it—not least by the Government, anxious to shift corporate borrowing away from the banks and so ease the upward pressures on the money supply—have so far failad.

Many observers now believe that the market will never recover, at least in its old form.

In tba 1960s, long-term fixed rate dabt was an integral part of a company's financing. New issues of corporate bonds far exceeded those of government stocks (gilt-edged). But a combination of high inflation and interest rates in the 1970s deterred corporate borrowars, while the government was forced to increase massively its debt sales.

Investors were thus offered top quality stocks in a wide range of maturities and were assured high liquidity, making gilts a much more attractive investment than corporate issues.

Companies becoma much more dependent on bank borrowings, and, when the equity market was in good shape, rights issues, to raise funds. A recent study by the City University Business School says tbat the debenture market "has declined, from being the major source of external funding for companies, into almost total insignificance, its place having been taken by medium-term bank loans and, from time to time, resurgences of tha equity market."

The Association of Corporata Treasurers has published a survey of its members' attitudes to raising long-term fixed rate debt. Tha research project was sponsored by Investors in Industry and carried out by Professor Michael Beenstock and Dr Valerie Brasse of City University Business School.

The research sbowed that while the economic climate is favourable to a re-opening of the corporate bond market, changes in tha behaviour of investors and treasurera "make a more widespread use of tbe market unlikely in present conditions." And tbe researchers conclude, "the debenture market in its present form may well have become an anachronism."

Treasurers feel that levels of interest rates are still too high to lock into for a 25-year term. While many analysts suspect that at any given level of interest rates a corporate treasurer would wish to see a 2 percentage point fall before raising long-term debt, double figure rates are a strong disincentive to debenture issuers.

"Anecdotal evidenca from discussions with a number of regional groups indicates that single figures are essential for a restoration of funding at fixed rates," says the report.

Treasurers are also deterred by the terms required by investora regarding security, negativa pledges, covenants and so on.

But perbaps most important, is the fact that most companies have no need to issue debentures when they are already quite liquid and can use tbe many alternatives which hava been developed to raise finance.

Nearest to corporate bond market is tha Eurosterling bond market where well-known UK companies can raisa medium-term money, often at finer rates than the UK Governmant itself.

In tha corporate bond market companies would have to pay an interest premium to borrow—issues which hava been made by property companies, usually on a mortgaga basis, have displayed this premium to gilt yields. But in the Eurosterling bood market many companies have in recent months borrowed at yields below the level of those on gilts of a similar maturity.

Borrowers such as ICI, BAT, Grand Matropolitan, Trust House Forte and BP have all made issues at yields below gilt yields, in some cases susbtantially so.

A director of S. F. Warburg speaks of the "increasing awareness of all types of UK corporate borrowers to the opportunities which the capital markets afford." This is evident from the number of companies which have approached the Euromarkets in contrast with a lack of activity in the debenture market.

The Eurobond market, however, is only available to the few dozen top companies whose names are well known abroad. Unlike the debenture markets, it largely draws on investors from overseas. Among these small private investora ara an important source of funds and they prefer to buy bonds issued by "household" names.

But for those companies which can tap this market, tha flexibility is much greater than in tha domestic bond market.

The bonda are generally unsecured, whereas security is a prime consideration for UK institutional investors. Borrowers can include provisions for early redemptions of the issue—in case interest rates fall sharply. And they can also repay the debt in instalments—as ICI elected to do with its recent £75m issue arranged by S. G. Warburg, which will be repaid in two equal amounts.

Two UK borrowers—Redland and Pearson, the diversified group which owns the Financial Times—have made the first issues of zero coupon bonds in the Eurosterling market. These bonds pay no interest during their life but are issued at a substantial discount and repaid at par. During the life of tha issues tha borrowers can offset theoretical interest payments against tax, making the bonds a very efficient form of funding.

The size of Eurobond issues can be varied considerably and now sums of over £100m can be raised by use of the tap mechanism—where after an initial trancha is sold further bonds can be released to the market.

Companies can also tap other currency sectors of the Eurobond market. Good names prepared to make large issues bave successfully issued Eurodollar bonds, while the Deutsche mark and Swiss franc bond marketa are also open to UK companies.

Innovative atructures are more readily acceptable to investors in the Eurobond market. BP for instance, was recently able to aecure attractively priced funds through a two-trancbe issue in the Eurodollar market lead managed by Morgan Stanley and S. G. Warburg.

The deal consisted of a $182.5m zero coupon bood with a 10-year maturity and a $100m fixed-rate bond which had an average life of 5.7 years, and a final payment after nine years.

The combination of the two—dubbed a zipper issue—gave BP funds at a cheaper rate than a "plain vanilla" issue would bave done.

But wbile only major companies bave turned their atteo: tion to other financing methods such as interest rate and currency swaps.

The swap market is still relatively young and there are no published statistics of its size or the number of users. But the Association of Corporate Treasurers' study talks of interest swaps as "a standard commodity in wbich major banks are ready to act as principals on either side."

The study continuea "the interest swap allows companies to mobilise under-utilised bank credit lines to raise fixed rate debt at well below the going rate in the domestic market, in amounts and for periods which that market will not accommodate."

Further, since the 1985 budget, another opportunity has been opened to UK companies—aborter dated debt. The budget allowed non-bank borrowers to issue sterling instruments with a maturity of between one and five years, previously only available to banks.

So far only a few companies bave taken advantage of this change, with ICI leading the way when it added a sterling option to a $400m note facility, led by Citycorp.

Reforms bring a clear impact

Taxation

MALCOLM GAMMIE

SOME 15 months after the launch of a major reform of the UK business tax regime, and halfway through the transitional pbase to which it gava rise, it is appropriate to take stock of its impact on the financing of corporate investments.

The major changes, in the capital allowances and stock ralief regimes, were not restricted to the corporate sector but affected all businesses. Nevertheless, so far as they impacted on corporate business, they were coupled with substantial reductions in corporate tax rates.

Whila there was no attempt to changa the basic structure of tha corporation tax system, lower tax rates and the changes in the computation of taxable profits have a clear impact on the structure and considerable implications for dividend policy, debt equity ratios and the financing of corporate investments.

Since 1973, the corporation tax system has permitted a part of the company'a corporation tax to be credited against a shareholder's own income tax liability on a dividend and to be repaid to the shareholder if ha has no such liability.

This is achieved by the company, on paying a dividend, making a payment of advanca corporation tax ('ACT') whicb satisfies the shareholder's basic rate income tax liability and whicb can be set against the compeny's liability to corporation tax.

Tbe credit is, however, limited so that, with a corporation tax rate of 52 per cent and a basic rate of income tax of 30 per cent, the maximum credit that could be given to a shareholder on a dividend paid from income profits of 100, was 30, leaving tha company with a tax liability of 22.

For a company earning profits of £100,000 or less, the corporate tax rate since April 1, 1983, has been 30 per cent. A dividend paid out of such profits accordingly gives tha shareholder credit for the whole of the company's corporation tax liability.

Even for a company paying tha maximum rate of corporation tax, the residual tax borne by the company (assuming no change in the basic rate of income tax) will bave been rednced from 22 per cent to 5 per cent by April 1, 1986.

Previously, the tax system favoured debt rather than *equity finance because interest* paid by a company can be deducted in computing its taxable profits. Equity finance was serviced by dividends paid out of after tax profits which bore the residual 22 per cent liability. Tha ability of a dividend to carry a credit for tha whole or all but a small part of the company's tax liability reduces this discrimination.

This assumes, of course, that the company has profits on which it pays tax. Since the 1970s, however, the bigh rate of tax allowances for expenditure on business assets, such as machinery and plant and industrial buildings, and the introduction of stock appreciation relief, bas resulted in substantial discrepancies between profits as shown by the company's accounts and taxable profits, and in widespread "tax exhaustion," that is the absence of profits against which tax allowances and reliefs can be offset.

Without any tax liability against which to set the ACT paid on dividends, that ACT became an additional tax cbarge to be borne by a tax-exhausted company: the aeriousness of which depended upon how long it would be befora taxable profits arose.

In this respect, the ability since 1984 to carry back ACT and set it against tax liabilities up to six years before has improved tha company's options.

Debt finance became similarly more expensive for sucb a company as the interest it paid merely added to a growing amount of unused tax losses. Here lay the growth of finance-based leasing which enabled lessors to use their taxable capacity to use the tax allowances, while passing on the greater part of the tax benefits through the finance lease terms.

The 1984 Corporate Tax Reforms

CORPORATION TAX RATES			
Financial year ending	Profits up to £100,000	Effective rate £100,001-£500,000	Full CT rate £500,000+
31.3.84	30%	55%	50%
31.3.85	30%	48.75%	45%
31.3.86	30%	42.50%	40%
31.3.87	30%	36.25%	35%

MACHINERY AND PLANT ALLOWANCES		
Expenditure incurred before	First-year allowance	Writing-down allowance
14.3.84	100%	25%
1.4.85	75%	25%
1.4.86	50%	25%
after 31.3.86	NIL	25%

INDUSTRIAL BUILDINGS ALLOWANCES		
Expenditure incurred before	Initial allowance	Writing-down allowance
14.3.84	75%	4%
1.4.85	50%	4%
1.4.86	25%	4%
after 31.3.86	NIL	4%

The substantial reductions in the rate of tax alowances after 1984 removes the tax subsidy that could make an investment with a low or even negative rate of return worthwhile. Once the reforms are fully implemented, projects generally will require a higher rate of return to be viable.

Clearly, tbe projects which benefit most from the reform are those under which the investment has already been made, attracting alowances at the old rates, but the return on wbich is still to be fully earned, so being taxed at the rednced corporation tax ratea.

This effect is one that continues through the transitional period, providing a boost to investment in 1984 and 1985 before the anticipated dip in 1986.

Once the reforms bava been fully implemented, their impact on different business sectors will vary susbtantially. The service sector, with generally low capital requirements, will gain while capital intensive manufacturing sectors will lose: in particular, a company which moves from tax exhaustion to paying tax at 30 or 35 per cent will take little comfort from knowing that the tax rates used to be much higher.

Leasing will no longer present the same attractive financial package, as the benefit of the allowances will oot be available to lessors to be passed on in leasing terms to the end users. Tbe leasing industry, in particular in the sbort-term area, seem set to contract substantially even though the transitional period may mask petition, for a reduced market may have a favourable impact on lease rentals.

The longer write-off period implicit in a system with merely 25 per cent allowances calculated not on initial expenditure but on the annual balance of unrelieved expenditure, discriminates against assets which depreciate over a shorter period.

Some relief will be available under the Finance Bill currently before Parliamant, allowing the net cost of such assets to be fully relieved within fiva years.

With the abolition of stock relief and the reduction in capital allowances, profits for tax purposes are again more closely allied to historic cost accounts. As sucb the system provides no adjustment for inflation and leaves investment in stocks more heavily taxed than most other investments, it is a position that worsens as inflation increases.

Tbe 1984 changes have had an undoubted impact on the corporate sector and research is currently being undertaken at the Institute for Fiscal Studies to identify their effects. Whether the modified corporate tax system will be substantially more durable and significantly less distortionary in its effect on financial and investment decisions remains to be seen.

Malcolm Gammie is Director of National Tax Services at KMG Thomson McLintock.

Irregular pattern of progress

Cross Border Finance

TERRY BYLAND

THE growing internationalisation of debt markets has taken several significant steps forward over the past 12 months, with the first co-ordinated initial public offerings (IPOS) of stock in New York and London by British Telecom and Reuters holdings.

The mechanisms for international IPOS are likely to be tested further as privatisation in the UK continues. At the same time, the rapid growth of trading in the host of interest swap instruments has extended the international market for corporate debt.

But the uneven economic progress of the economies and currencies of the major industrial nations has made for an irregular pattern in cross-border corporate financing this year. In the first five months, U.S. corporations were drawn to the Euromarkets, raising an unprecedented $13.2bn. But more recently, as the domestic corporate debt markets have been revived by the keen tensions in the federal sector, U.S. corporate borrowers have turned homewards again.

The powerfully increased presence of U.S. borrowers in the Eurobond markets owed much to the development of the interest rate swap markets in dramatically expanding area of the U.S. This entirely new and U.S. financial debt markets—estimated by Mr Gerald Corrigan, President of the New York Federal Reserve Bank, at around $100bn—hardly existed a few years ago.

The impetus for its growth came largely from the attractive opportunities available only to the first grade borrowers acceptable in the Eurobond markets. U.S. banks were at first attracted by the opportunity to swap low cost Euromarket debt raised by premier clients with ralatively more expensive domestic debt raised at home by lower grade borrowers.

But before long the banks were raising debt in Europe on their own account, solely for swapping purposes.

The growth of the swap market in turn created a substantial secondary market in which swaps could be reversed as interest rate differentials between Europe and the U.S. changed direction.

Growth in this market, however, may be tapering off now as U.S. borrowers return to their domestic market. The latest statistics on U.S. corporate borrowing in domestic markets shows a gain of more than 50 per cent on the previous year.

Attempts to apply the debt swapping technique more generally to international debt have not been conspicuously successful. Latin American debt, to take the most obvious example, is proving a less attractive source of swap trading.

The more conventional forms of cross-border financing have been constricted by the strength of the dollar and the relative attractions of the U.S. as a haven for both private and corporate financing, according to Michael Bentley, joint vice-chairman of Henry Schroder Wagg.

The continued rise in the dollar has diminished the returns on many of U.S. overseas ventures of the early years of the decade. The U.S. pharmaceutical companies, which by the nature of their business are inclined towards multinational operations, have been slow to expand overseas investment. With more than half their profits now generated by sales in non-U.S. markets, Merck, Pfizer and their U.S. compatriots, have seen earnings held back by the adverse foreign exchange rate trends.

At the same time, the U.S. economy has appeared to offer better opportunities for the application of domestic investment funds. The beleaguered survivors of "rustbowl" America have tended to reinvest funds in the domestic service and financial sectors rather than in developing foreign ventures.

U.S. investors have continued to take a bearish view of prospects in Europe, which is still seen as unwilling to tackle the problems of wage restructuring and industrial realignment which the U.S. has been more willing to face.

But U.S. companies have not been alone in recognising the attractions of their own economy. In addition to the major equity raisings in the U.S. by British Telecom and Reuters, there has been a host of more direct fundings by British and continental corporations.

Among the most recent public offerings by foreigners, the most noteworthy have been Cadbury Schweppes, for $102m, Norsk Data for $48m, and Bowater Inc, which raised $131.6m in the spin off of the North American interests of Bowater PLC.

Also significant, if less prominent, has been the growth of interest by smaller European companies in the prospects of making initial public offerings on Nasdaq, the computerised over-the-counter (OTC) market.

Rodime, of Glasgow, and Advanced Semiconductor Materials International, may be the advance guard of small, European high technology companies to find the U.S. a more attractive opportunity for raising public venture capital than their own domestic securities markets.

Don Montano, of Montano Securities Corp, a Nasdaq trader seeking to promote cross-border equity financings in the U.S., claims to have identified a lengthy list of potential fund raisers in Europe. British companies are in the majority but Montano says that small, fast growing companies in the Netherlands and in Germany still feel excluded from their home markets.

The growth in international funding by corporations has attracted the attention of the Securities and Exchange Commission (SEC). Commenting that "lines of demarcation between domestic and international capital markets are becoming more difficult to ascertain," the SEC has called for comments from interested parties in order to further accommodate and harmonise multinational offerings.

It notes that U.S. corporations have been in the forefront of a rapid internationalisation of debt markets, moving in and out of their own domestic markets with ease and swiftness. It is concentrating its attention on the differences in underwriting and financial disclosure between the U.S. and UK, which at present represent the most significant sources of such multinational fundings.

The past five years has seen a rapid extension of the mechanisms of cross-border corporate financing. The coming 12 months is certain to bring further progress, with any changes of direction in foreign exchange rates and the economies of the industrial nations strengthening the trend towards an international credit market.

PROFILE: NORMAN IRELAND

BY MARTIN DICKSON

Team approach to acquisitions

"Our own corporate philosophy is one of flexibility. We have expanded very rapidly, and we have not wanted to feel constrained by any financial agreements that might be imposed on us."

BTR, one of Britain's biggest industrial holding companies, has been the successful aggressor in two of the most exciting takeover battles of recent years—the £650m bid for Thomas Tilling in 1983, and this year's £101m offer for Dunlop Holdings.

Fights like these have tested to the full the City advisers of a company which has grown from being a modest rubber manufacturing company to its present stature in less than 20 years.

Mr Norman Ireland, BTR's finance director, says that a key factor in its many acquisitions has been the teamwork of its City advisers.

"We really work totally as a team," he says. "When discussing strategy, it's not just the merchant bank. It is also the lawyers, to a degree the advertising agents, the brokers . . . and I think it is a combination of them all that gets results for BTR."

This teamwork was seen to particularly good effect at the start of the Dunlop bid when BTR mounted a "dawn raid" that netted 28 per cent of the target's preference shares, giving it a crucial voting block that could determine whether Dunlop's long-awaited refinancing plan went ahead.

"We had a round table discussion," says Mr Ireland. "I'm not sure who inspired the idea—and that is as it should be if there is a team approach."

BTR's merchant bank is Morgan Grenfell, which fielded the team of George Magan and Guy Dawson as advisers on both the Tilling and Dunlop bids. An important factor in such a relationship, says Mr Ireland, "is the ability to get on with one another."

BTR switched to Morgan Grenfell from Hill Samuel about five years ago, though it still retains Hill Samuel for certain banking advice — it was co-leader with BHF Bank in Frankfurt on the DM 150m (£40m) Eurobond the company issued last November.

Its broker is Cazenove, which has an unmatched reputation in the City for "placing power" — the ability to place paper with sub-underwriters. However, in the Dunlop battle Cazenove was already committed, so BTR turned to Hoare Govett.

When it comes to lawyers, the company uses "horses for courses"—usually Slaughter and May for corporate finance and Stoneham, Langton and Passmore for conveyancing. Ernst and Whinney handle its auditing in the UK. "They have moved very quickly and confidentially in these acquisition situations," says Mr Ireland.

BTR is keen to expand by acquisition in the U.S.—where its investment bankers are Goldman Sachs and Credit Suisse First Boston—but, says Mr Ireland, "we want to find something that will come willingly. We don't want to be aggressive in the States." BTR, he explains, does not yet fully understand American takeover techniques.

Mr Ireland is concerned that the revolution taking place in the City of London, and the new financial groupings emerging from it, should not hamper BTR in its efforts to get the best advisers in any particular field.

"Our own corporate philosophy is one of flexibility," he says. "We have expanded very rapidly, and we have not wanted to feel constrained by any financial agreements that might be imposed on us."